

10 December 2004

HIGHLIGHTS

- Mild weather and higher November refinery runs eased distillate supply concerns and, combined with rising crude stocks, triggered a near \$10 fall in crude futures in early December. Light/sweet crude differentials versus heavy/sours in the spot market saw their premium fall from their October highs. Upside price risks remain from the weather, geopolitical issues, low spare capacity and economic uncertainty.
- OECD industry oil stocks rose 15 mb in October to 2616 mb, closing 47 mb above 2003. Gains in crude outpaced declines in product stocks. Distillate stocks fell counter seasonally on reduced Atlantic Basin refinery output and diesel demand, preventing a recovery in days of forward demand cover. Cover held flat in October at 52 days.
- Lower OPEC output led to a minor decline in world oil supply of 40 kb/d in November to 84.4 mb/d. Non-OPEC production rose 420 kb/d on gains from US Gulf of Mexico and offshore China. Russian growth eased and OECD supply was also revised down. Non-OPEC supply growth remains at 1.1 mb/d for 2004 and is revised down to 1.2 mb/d for 2005.
- OPEC crude supply declined 500 kb/d to 29.4 mb/d, with disruptions to Iraqi exports driving the fall. Production from the OPEC-10 fell 75 kb/d to 27.6 mb/d. Effective OPEC spare capacity is low at around 1.0 mb/d. The call on OPEC crude plus stock change is revised up by 300 kb/d for this quarter and by 100 kb/d for both 2004 and 2005.
- The 2004 demand projection is unchanged at 82.4 mb/d. The 2005 growth forecast is trimmed by 80 kb/d, to 1.4 mb/d, with modest cuts to FSU and Middle Eastern demand. In addition to the weather, China is the main wildcard for the short term.

Henceforth, throughout this report, OECD includes the Slovak Republic



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The International Energy Agency (IEA), an intergovernmental body committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation, is seeking a dynamic and experienced energy expert to serve as the Editor of the IEA Oil Market Report and to lead its Oil Industry and Markets Division in the Office of Oil Markets and Emergency Preparedness. He or she will supervise and co-ordinate the IEA's work on monitoring and reporting on oil industry and market developments.

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- Ten to fifteen years' experience in the international oil industry with experience in the field of oil and energy policy. Specific areas of expertise include any or all of the following: oil production, refining and distribution, oil trade, oil stock policy or product quality issues.
- Strong analytical, communication and interpersonal skills, political sensitivity and ability to establish and maintain effective working relations with senior government and industry officials. Ability to synthesise complex material and set out the main issues succinctly and clearly.
- Proven experience in team-building as well as in planning, co-ordinating and supervising the work of a team. Strong achievement orientation and personal initiative, as well as ability to work under pressure, often to tight deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; working knowledge of French and other languages would be an advantage.

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Applications (in English or French) from nationals of OECD member countries should include a CV, specify the reference VAC(04)072 and be sent online by **16 December 2004**.

Please note that only candidates selected for interview will be contacted.

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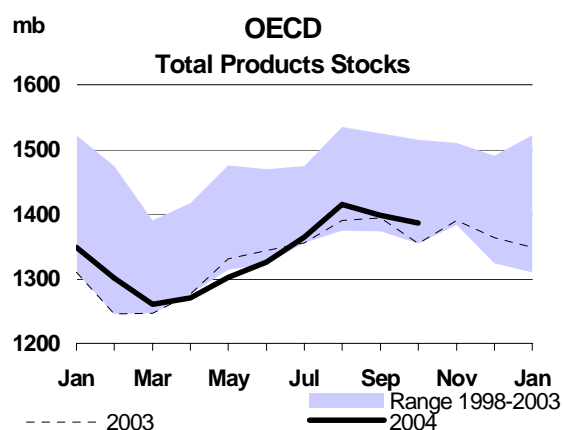
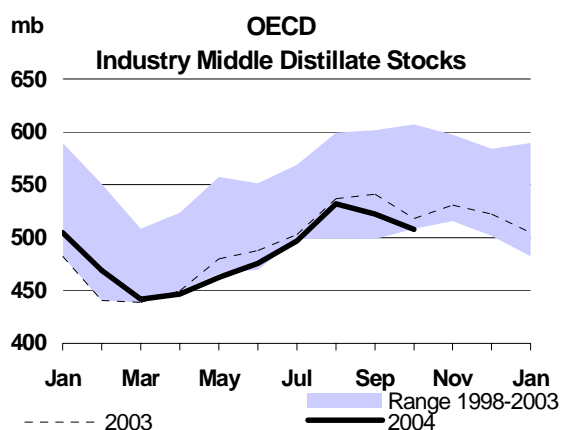
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NOT OUT OF THE WOODS YET

Oil prices fell sharply at month-end with WTI NYMEX closing at \$42.54 on 3 December, \$13.13 off its 25 October peak. A variety of factors contributed to this decline including a build in OECD industry crude oil stocks, mild weather in key northern hemisphere heating oil consuming regions, an upward revision to US natural gas storage and the return from maintenance of US Gulf Coast and North Sea production.

Rising crude inventory levels suggest that the hitherto tight crude oil market is easing. OECD industry crude stocks are now trending above last year and above the average of their five-year range. This trend is somewhat deceptive, however, in that the market is amply supplied with sour crude which can not be readily processed. This is evidenced by light-heavy, sweet-sour differentials that, despite narrowing significantly in November, remain wide by historical standards. The latter is attributable to rising OPEC supply to meet global demand combined with underinvestment in refinery conversion and desulphurization capacity.

While the crude market is becoming more balanced, the product side is moving in a different direction. With the exception of gasoline and fuel oil, developments here are much more troublesome. Middle distillate stocks are trending below last year and at the bottom of their five-year range. This situation is disconcerting given supply risks associated with capacity constraints, geopolitical uncertainty and weather-related supply disruptions and demand uncertainties surrounding weather, refinery margins and non-OECD demand.



Producers, haunted by the ghost of Jakarta, are understandably nervous. They want to avoid a further precipitous fall in prices. They are spooked by the recent build in crude stocks and price differentials and are growing increasingly concerned about the shape of the forward curve. Furthermore, they feel helpless with regard to developments in the products market as they have limited control over global refining and distribution logistics.

Notwithstanding these concerns, the market is not out of the woods just yet. An upward gyration in crude oil prices could further undermine refining margins, weakened by fragility in the gasoline and fuel oil components of the product market. In a weak product market, refiners are not able to pass through the added feedstock cost, squeezing margins. Depressed refining margins translate into reduced throughputs, lowering product availability and causing product stocks to draw. Middle distillates comprise approximately 29% of the overall product barrel, and while demand in this product segment may be strong and inventory levels may be low, a fall in margins will curtail refinery runs. Reduced throughputs will exacerbate an already volatile market.

Producer concern over a precipitous fall in prices is somewhat overstated. Plus forty dollar oil is still high and capacity constraints, geopolitical uncertainty and demand growth will not disappear overnight and will continue to provide price support over the medium-term. In a capacity constrained environment with significant supply and demand risks, higher inventory levels are the only way to stabilize markets over the short-term.

DEMAND

Summary

- The projection of global oil product demand for 2004 is unchanged, at 82.4 mb/d. This represents a yearly increase of 2.6 mb/d, the steepest demand growth since 1976.
- The demand growth forecast for 2005 has been trimmed marginally, by 70 kb/d, to 1.4 mb/d. Minor downward adjustments to the forecast of FSU apparent demand – reflecting a more pronounced slowdown in supply growth than expected – and Middle East demand – due to fuel switching out of oil for power generation – account for the bulk of the revision.
- There is significant risk to the 2005 growth forecast. In addition to the weather, the main wildcard is China. Barring any hard landing, we expect continued Chinese economic expansion to keep fuelling steep oil demand growth through 2005 and beyond. But we anticipate this to be partially offset in the short to medium term by reduced diesel demand growth for stand-alone generators, as non-oil power generating capacity is gradually catching up with power demand. Uncertainties about domestic and international oil prices add further risk to the forecast.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q03	80.3	3.1	2.4	-
2Q03	77.3	1.4	1.1	-
3Q03	79.3	2.2	1.7	-
4Q03	82.1	2.5	2.0	-
1Q04	82.4	2.7	2.1	-
2Q04	81.2	5.1	3.9	-
3Q04	81.9	3.2	2.6	-
4Q04	84.0	2.3	1.9	-
1Q05	84.0	1.9	1.6	-
2Q05	82.3	1.3	1.1	-
3Q05	83.3	1.7	1.4	-0.1
4Q05	85.5	1.8	1.5	-
2003	79.7	2.3	1.8	-
2004	82.4	3.3	2.6	-
2005	83.7	1.7	1.4	-0.1

* year-on-year change

- Preliminary oil delivery data for seven of the largest OECD economies point, as forecast, to a year-on-year contraction in October demand, but robust growth is believed to have resumed in November. The October dip spanned the demand barrel except diesel, for which demand was supported by soaring North American trucking demand. September OECD demand rose by 690 kb/d on the year, with North America accounting for most of the increment. OECD Asian demand appears to have shifted into contraction in the fourth quarter on the back of better Japanese nuclear power output. That will help quarterly OECD demand growth slow to a projected 570 kb/d, or 1.1%, down from 900 kb/d in the third quarter.
- As of this Report, Slovak demand is incorporated with OECD demand and taken out of the non-OECD aggregate. This results in an increase of roughly 70 kb/d to the OECD historical baseline, offset by a corresponding cut for the non-OECD region. Detailed monthly assessments of Slovak demand by main products are available from January 2001, and have been estimated based on annual data submissions for prior years.

Estimated Annual World Oil Demand Growth 2000-2005

(million barrels per day)

	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.47	0.50	0.21
Latin America	0.00	0.00	-0.04	-0.10	0.17	0.11
FSU	0.08	0.00	-0.20	0.12	0.13	0.12
Europe	-0.12	0.21	0.00	0.16	0.28	0.10
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.10	-0.08
China	0.26	0.12	0.30	0.55	0.81	0.36
Other Asia	0.09	0.18	0.27	0.22	0.45	0.21
Subtotal, Asia	0.31	0.23	0.53	0.91	1.16	0.49
Middle East	0.12	0.17	0.17	0.20	0.32	0.26
Africa	0.00	0.13	0.08	0.04	0.07	0.09
World	0.66	0.67	0.63	1.80	2.63	1.38

- Record high prices so far appear to have had limited impact on global demand. Demand growth has been particularly strong from the non-OECD region, where product prices remain partly subsidised, and where consumers have thus often been shielded from the full effect of the international price increases. However, that has exerted significant pressures on government budgets, a situation which may not be sustainable and which may also cause delayed demand effects through reduced government expenditures. Non-OECD consumption may emerge relatively unscathed if international crude prices ease further soon. On the other hand, price effects on GDP and demand tend to be lagged, as perceptions about future price levels are reflected in consumption and capital asset decisions, and we could thus be witnessing a slowdown later on.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change		Annual Change (%)			
	2004	2003	2004	2005	2003	2004	2005
North America	25.08	0.47	0.50	0.21	1.9	2.0	0.8
Europe	16.45	0.16	0.28	0.10	1.0	1.7	0.6
OECD Pacific	8.68	0.14	-0.10	-0.08	1.7	-1.2	-1.0
China	6.33	0.55	0.81	0.36	11.0	14.7	5.7
Other Asia	8.55	0.22	0.45	0.21	2.8	5.6	2.4
Subtotal Asia	23.56	0.91	1.16	0.49	4.2	5.2	2.1
FSU	3.71	0.12	0.13	0.12	3.5	3.6	3.2
Middle East	5.88	0.20	0.32	0.26	3.7	5.7	4.5
Africa	2.81	0.04	0.07	0.09	1.7	2.4	3.3
Latin America	4.89	-0.10	0.17	0.11	-2.0	3.6	2.2
World	82.37	1.80	2.63	1.38	2.3	3.3	1.7

OECD

Early Indications of Current Demand

Revisions to 2004 demand estimates from the latest oil statistics are for the most part small and mutually offsetting and would have left the assessment of fourth-quarter and annual demand roughly unchanged if not for the inclusion, as of this Report, of Slovak demand in the OECD aggregate. The average of 2004 demand has been lifted by 70 kb/d, the size of Slovak product demand. For the third quarter, the demand assessment has been raised by 60 kb/d, less than Slovak demand, as weaker-than-expected September deliveries in the rest of Europe and Asia more than offset upward adjustment in North America. For the fourth quarter, the estimate has been raised by 90 kb/d, slightly more than Slovak demand, as upward adjustments to North America marginally exceeded aggregate cuts for Europe and Asia.

The yearly increase to OECD demand was counter-balanced by a matching decline in the non-OECD region (as Slovak demand was taken out of the non-OECD), leaving global balances flat. Other revisions to non-OECD demand were also mutually offsetting.

Setting aside the transfer of Slovak demand from the non-OECD to the OECD balances, aggregate adjustments to preliminary and forecast data for September were negligible. Broken down by region, however, monthly oil statistics show substantially stronger-than-expected demand in the US, notably for diesel, naphtha and 'other products'. In contrast, demand was weaker than expected in Europe (particularly France) and Asia (Japan). Preliminary assessments for Japan were cut by 90 kb/d, with residual fuel oil, 'other product' and jet fuel/kerosene accounting for the bulk of the adjustments. French preliminary data were trimmed by 60 kb/d, almost all in naphtha. Together, France, Japan and the US account for most of the September changes.

Preliminary oil delivery data for October extend September's split pattern of upward revisions for North America and downward adjustments elsewhere. US demand was raised by 90 kb/d, bringing North American demand growth for the month to an estimated 120 kb/d. In contrast, European demand (despite the inclusion of Slovakia) was cut, including a 140 kb/d reduction in Germany, and now looks to have contracted by 140 kb/d. Weaker-than-expected Japanese deliveries, partly offset by upward adjustments for Korea, reduced the assessment for Asia, where at latest count demand appeared to have contracted by 190 kb/d. On aggregate, OECD demand is now estimated to have contracted by 210 kb/d in October, compared with growth of 690 kb/d in September.

However, demand is thought to have resumed strong growth in November, offsetting contraction a year earlier. Moreover, the November OECD growth forecast has been revised substantially upwards, to 1.47 mb/d, in light of preliminary weekly data showing an increase of about 8% year-on-year in US gasoil deliveries. December demand is forecast to grow by about 470 kb/d.

Preliminary Inland Deliveries – October 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	Mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.01	-1.1	1.62	-0.3	3.22	9.3	1.02	2.2	0.80	11.9	4.73	-1.3	20.40	1.1
Mexico	0.62	2.3	0.05	6.0	0.31	-0.6	0.00	Na	0.31	4.1	0.36	-6.5	1.65	0.1
Japan	1.04	0.2	0.47	-7.0	0.67	-4.3	0.46	-7.8	0.43	-18.6	1.55	0.6	4.62	-4.0
Korea	0.15	-9.5	0.06	-20.8	0.39	-4.2	0.11	-22.8	0.28	-16.5	1.06	5.2	2.04	-3.9
France	0.26	-9.9	0.13	4.1	0.63	-4.5	0.35	-2.1	0.05	-28.8	0.44	1.7	1.86	-3.7
Germany	0.57	-6.2	0.17	2.2	0.60	-1.6	0.47	-19.2	0.11	-3.8	0.50	1.7	2.43	-5.9
Italy	0.32	-11.6	0.08	3.3	0.49	-4.2	0.14	-0.8	0.19	-25.0	0.41	-10.0	1.64	-9.5
Total	11.97	-1.7	2.58	-1.5	6.31	2.7	2.55	-6.2	2.17	-6.2	9.04	-0.6	34.62	-1.3

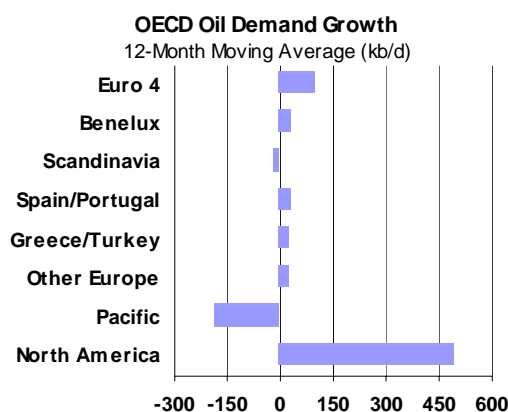
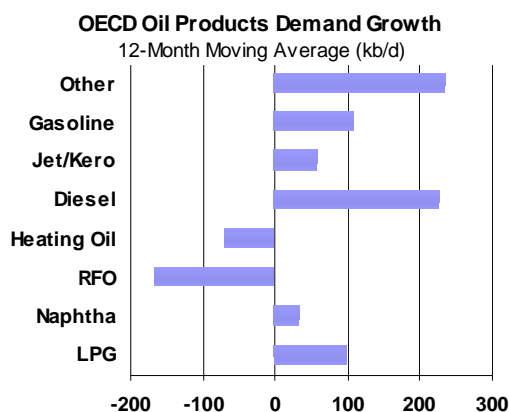
Sources: US EIA, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry, Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

3 fifty states only. Diesel's share of total distillate is estimated. Percentage change is calculated versus the previous year

The above table, showing preliminary delivery statistics for seven of the largest OECD economies, illustrates the contrast between demand trends in North America and in other economies. US demand expanded, led by distillates and residual fuel oil, though deliveries of gasoline and 'other products' declined. Mexican demand also edged marginally upwards. Elsewhere, demand contracted, with the decline spanning most of the demand barrel except jet fuel in Europe.



Remarkably, October demand was comparatively weaker in yen and euro-denominated economies, even though the strong appreciation of their currencies against the dollar helped offset recent oil price increases. US consumption growth, on the other hand, appeared unimpeded, despite bearing the full dollar impact of higher energy costs. In Japan, the main factor behind the lower demand was the recovery in nuclear power output, which lowered requirements from oil-fired power plants. But a secondary explanatory factor may lie in the broader economic impact of currency fluctuations, and the greater sensitivity of oil demand to income gains than price increases. A lower dollar is a boost to US exports and the US economy but has a neutral impact on US imports from China. So it is perhaps no surprise that US diesel demand, closely linked as it is to trading activity, soared to unprecedented highs in recent months. In contrast, a lower dollar adversely affects Japanese and European exports, even as it helps those economies cope with volatile energy markets.

Broken down by products, preliminary demand data for October show contra-seasonal weakness in distillate demand and generally weak demand for road transport fuels. Aggregate gasoline demand contracted in most of the largest OECD economies, while diesel deliveries fell steeply in Europe and Asia, and would have contracted across the OECD if not for a dramatic surge in the US. Heating oil deliveries also retreated in Europe and Asia, as did residual fuel oil demand, offsetting gains in North America. In contrast, jet fuel demand showed signs of continued improvement. Deliveries rose briskly in Europe and Mexico, while US deliveries edged marginally lower. Sales fell in Asia, but that was probably more reflective of a drop in heating kerosene demand than air travel demand.

Moving Annual Average Change in Oil Demand* – October 2004

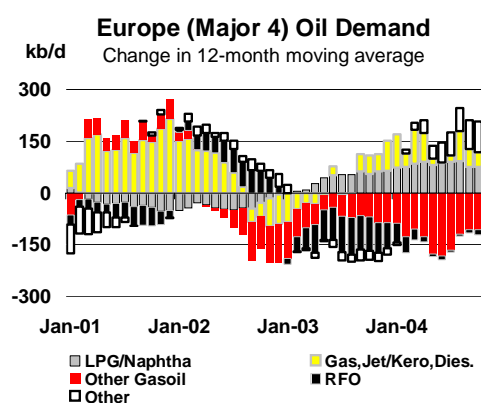
	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	2.8%	0.5%	1.3%	2.8%	5.5%	-4.5%	-0.3%	3.4%	2.0%	395
Canada**	5.0%	3.7%	1.2%	4.4%	-3.4%	7.2%	3.6%	7.0%	3.5%	77
Mexico	1.7%	-25.1%	5.4%	6.6%	2.4%	2.4%	-8.1%	7.5%	1.0%	21
Japan	-6.3%	1.5%	2.0%	-4.5%	0.2%	-5.6%	-10.5%	-7.3%	-3.2%	-182
Korea	0.1%	3.7%	-5.5%	-9.3%	3.9%	-10.9%	-2.8%	-12.3%	-0.9%	-19
France	1.9%	2.7%	-6.8%	3.6%	0.6%	-1.8%	-0.8%	5.6%	0.0%	1
Germany	2.7%	12.2%	-3.3%	1.7%	3.6%	-17.0%	-0.4%	44.4%	-0.6%	-17
Italy	1.2%	-1.7%	-2.3%	3.6%	7.0%	-1.5%	-7.8%	7.9%	0.4%	7
UK	16.0%	-7.9%	-2.1%	7.2%	7.2%	7.2%	19.4%	21.3%	6.4%	111
Total	2.1%	1.1%	0.8%	1.5%	4.5%	-4.1%	-3.5%	4.9%	1.1%	543
kb/d	102	35	112	61	351	-192	-161	237	543	

* defined as the percentage change between the demand average for the 12 months up to October and that of the same period a year earlier
 ** near-month data are estimated

Europe

Preliminary data for three of the largest European economies - France, Germany and Italy - point to weak oil product deliveries in October across most of the demand barrel (jet fuel demand bucked the trend, rising at a robust pace in all three economies). Particularly striking was an unusual decline in diesel deliveries. If confirmed, the year-on-year dip in diesel demand in those three economies in October would be the steepest drop since November 1998. The contraction occurred even as gasoline deliveries continued their secular decline, falling at or near double-digit rates in France and Italy. Heating oil deliveries also tumbled, particularly in Germany, despite reports of unusually low tertiary stock levels at this stage in the heating season.

One month of partial and preliminary data doesn't make a trend, and one should be wary of extrapolating from what may well be a temporary dip. Demand grew at a robust pace in the same economies in the third quarter and growth was expected to resume in November, offsetting steep decline in the same month last year. As a whole, European demand appears anything but weak. With only three months of data missing, average European growth for 2004 is currently forecast to have expanded by 270 kb/d. That would mark the steepest yearly increase in European demand since 1998.

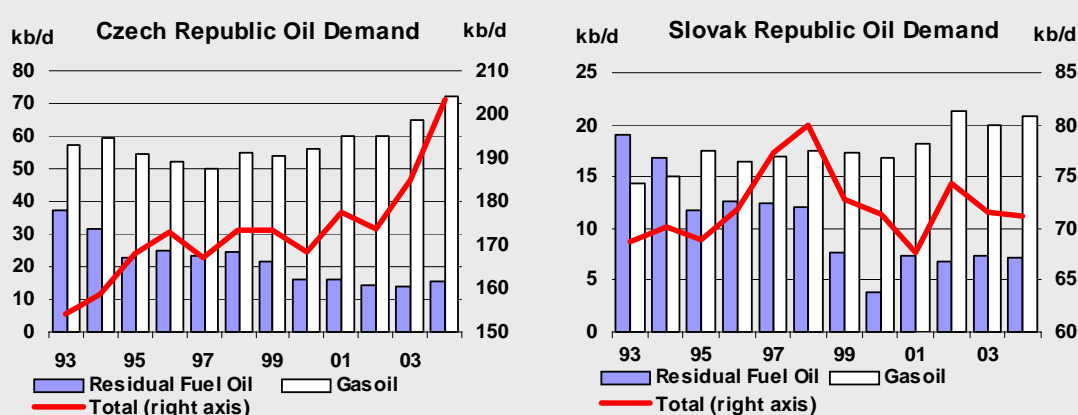


Incorporating Slovak Republic Data

As of this Report, statistics for the Slovak Republic are incorporated into OECD oil balances, lifting the OECD demand baseline by roughly 70 kb/d. Global balances are unaffected, as that gain is offset by a corresponding reduction to non-OECD demand.

The inclusion of Slovakia in OECD demand amounts to more than a simple accounting shift from one column to another, since OECD data offer a level of detail, integrity and cross-country consistency in methodology and definitions typically unmatched in non-OECD data. New insights into Central and Eastern European demand trends are thus gained, including seasonal patterns and product breakdowns.

The Slovak Republic achieved independence in January 1993 and joined the OECD in 2000. In accordance with OECD requirements, Slovakia has been providing the IEA with Monthly Oil Statistics submissions since January 2001. Earlier data were established on an annual basis and their distribution by month was estimated by the IEA statistical division.



Not surprisingly, the Slovak oil data point to a gradual lightening of the demand barrel over the last 12 years, a trend consistent with that displayed by the Czech Republic with which it had been previously united and OECD economies in general. Whereas residual fuel oil accounted for an estimated 28% of total Slovak demand in 1993, making it the country's number one product in volume, for 2004 that ratio is projected to fall to 10%. In contrast, gasoil's share of demand rose from 21% to 29% over the same period, mostly for use as diesel in road transportation.

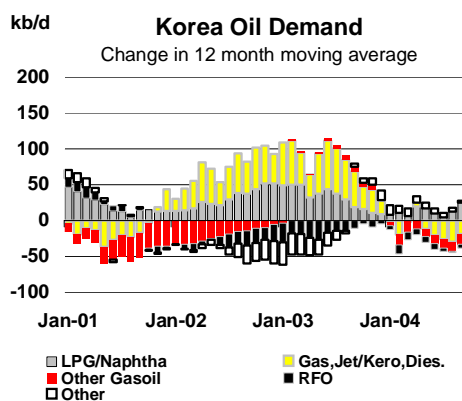
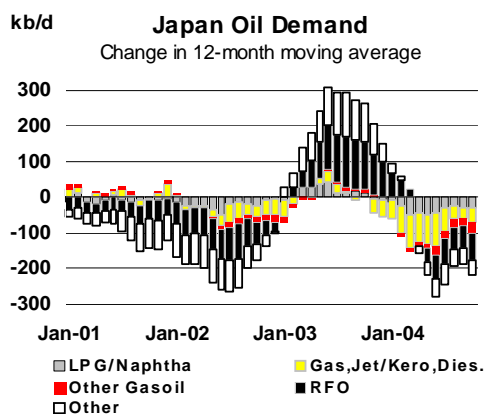
While Czech demand grew rather steadily over the last 12 years, Slovak demand trends appear somewhat choppy; though year-to-year changes may be overemphasized by Slovakia's lower baseline. Since 2001 demand has been peaking seasonally in the second half of the year.

Pacific

Preliminary Japanese demand data for September were revised downwards back to previously forecast levels. October estimates were also trimmed in light of preliminary data. Demand for residual fuel oil and 'other products' (including crude for direct burn at power plants) accounted for the bulk of the adjustments totalling 90 kb/d for October and 80 kb/d for November. The cuts were partly offset by a series of small upward adjustments to Korean demand for October spread among various products.

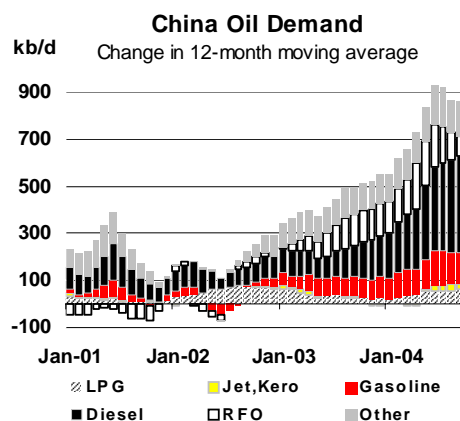
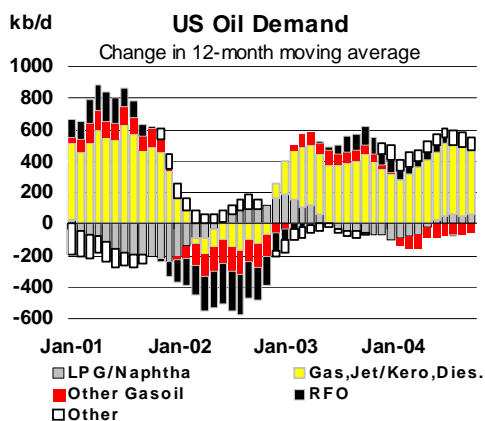
Warmer-than-normal weather compounded the effect of recovering nuclear power output in Japan to undermine oil demand for electric generation. At the time of writing, eight of Kansai Electric Co.'s (Kepeco) 11 units and 11 of Tokyo Electric Co.'s (Tepco) 17 units were operating,

On average, demand in the Asia-Pacific OECD region is expected to contract by 80 kb/d in the fourth quarter, reversing the third quarter's growth. Demand is expected to fall by a further 80 kb/d next year.



North America

US demand was revised sharply upwards for September and November, lifting the assessment of North American demand by 30 kb/d for the third quarter and 110 kb/d for the fourth quarter. Distillate demand was exceptionally robust, with diesel deliveries soaring to an all-time high of 3.17 mb/d in September. Diesel demand fell seasonally in October and November, but remained at record levels for those months. However, gasoline demand growth was choppy. Deliveries fell by a provisional 1.1% in October, the second contraction in three months, though they appear to have rebounded strongly in November.



Non-OECD

China

Preliminary assessments of Chinese apparent demand for September and forecast levels for October were left roughly unchanged in light of the latest oil product output and trade data. As expected, Chinese demand growth slowed to an estimated 8.6% in the third quarter, to 6.25 mb/d, compared to gains of roughly 19% and 25% in the first and second quarters. Growth is expected to remain in the 8% range for the fourth quarter. A further slowdown in Chinese demand growth is expected in 2005, but the outlook is uncertain and remains predicated on several potentially conflicting factors.

Two key drivers led Chinese demand growth in 2004: economic expansion and a power generation shortfall that fuelled a surge in diesel demand for stand-alone, back-up generators. By some estimates, demand for private electricity generation may have accounted for as much as 300 kb/d or more of this year's projected 410 kb/d incremental gasoil demand. Diesel demand was particularly steep in the second quarter, rising by 530 kb/d year-on-year, as end-users filled up their tanks ahead of the summer cooling season in a manner not unlike pre-winter buying of heating oil by German or US Northeast residential users. While it seems safe to bet that Chinese economic development will continue to fuel strong oil demand growth in 2005 and beyond, the outlook for power generation, and its effect on oil consumption, is far less clear.

Although power generation capacity growth trailed demand growth earlier this year, non-oil capacity is being expanded and has started catching up with demand. As the gap is closed, back-up generators will become redundant and will be taken out of service, causing diesel demand growth to ease or even briefly reverse. However, the timing of this process is highly uncertain. This Report projects that diesel demand will grow by 130 kb/d next year, in line with rising requirements from the transportation sector, but that power demand for diesel will not significantly rise above this year's level. On the other hand, we do not anticipate a major contraction in diesel demand for electric generation in 2005. However, structural cooling demand is increasing in line with the economic and construction boom in the hot south and southeast coastal provinces, an increase which may not be fully met by new generation capacity. Even if enough capacity is built, concerns over potential blackouts or brownouts may cause renewed precautionary stockpiling by end-users ahead of summer, causing diesel demand to surge again the second quarter. Weather will no doubt be a factor, and an early surge in summer temperatures may cause diesel deliveries to spike in line with air-conditioning demand.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Aug 04	Sep 04	Oct 04	Latest month vs. Sep 04 Oct 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1716	2290	2371	2232	2106	2413	2117	-296	580
Products & Feedstocks	361	442	445	600	849	545	429	586	618	32	113
Gasoil/Diesel	-16	-28	-9	22	50	21	2	32	39	7	38
Gasoline	-142	-175	-151	-95	-141	-146	-178	-138	-102	35	42
Heavy Fuel Oil	281	407	361	448	653	412	424	364	425	61	86
LPG	197	202	203	172	227	222	164	255	202	-53	2
Naphtha	-16	-22	-24	-21	-11	-48	-57	-48	-5	43	16
Jet & Kerosene	9	1	-6	21	15	19	5	53	18	-35	-7
Other	48	58	70	54	56	64	69	68	42	-26	-65
Total	1609	2106	2161	2890	3220	2777	2535	2998	2735	-264	693

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Another key determinant of next year's demand, and one equally dicey to predict, may be prices. While price controls in part of the non-OECD region have fostered oil demand growth by shielding consumers from the full effect of international price increases, it may be argued that Chinese government pricing policy paradoxically restrained consumption growth by constraining supply. With oil products selling in Chinese domestic markets at a discount to international prices, refiners have had little incentive to process large incremental volumes of high-cost imported crude, and import margins for products have been negative. Despite strong end-user demand and reports of refining capacity expansions, refinery throughputs have remained remarkably steady for the last six months. This could change if domestic prices were allowed to rise closer to international levels, or if international markets fell back in line with Chinese domestic levels. A levelling of domestic and international product prices could cause apparent demand to temporarily surge, as refiners refill reportedly depleted inventories.

FSU

The assessment of FSU apparent demand was increased for the fourth quarter, reflecting slowing export growth in November. Apparent demand for the quarter is now estimated at 3.9 mb/d, an increase of 1.9% on the year.

For 2005, however, the forecast of apparent demand has been trimmed by an average 30 kb/d, reflecting a reduction in the FSU supply forecast.

Price Effects and Non-OECD Demand

Record high international crude and product prices over a prolonged period of time have had so far little visible effect on global demand growth. Several factors - including efficiency gains, reduced economic dependence on oil, the depreciation of the dollar and the fact that oil prices are not as high in real terms as in nominal terms - are commonly offered to explain the fact that oil demand appears less sensitive to oil prices than during earlier "oil shocks". None of those factors appear fully satisfactory.

Although it is true that oil prices have not risen as fast in euro or yen terms as in dollar terms, much of this year's growth in oil demand has come from dollar economies, namely the US and China, where international oil price increases have in fact not been offset by the dollar's depreciation. While real oil prices remain well below their peak of the 1980s, their average for the year is roughly on par with the levels of the late 1970s, when demand was reeling from the effects of the 1973 Oil Shock. And although mature economies have become much less fuel intensive, much of the recent growth in oil demand has come from emerging economies which are still relatively inefficient. China is a case in point: Chinese oil demand has in fact risen even faster than the broader Chinese economy over the last 16 months, suggesting a decline, rather than an improvement, in energy efficiency.

Aside from the US, most of this year's oil demand growth has taken place in the non-OECD region, particularly China, other non-OECD Asia and the Middle East. Two factors appear to account for the resilience of oil demand in those economies: strong economic growth and subsidized retail and wholesale oil prices well below international levels. Neither of these factors may be sustainable over a prolonged period of time.

To some extent, Asian consumers have enjoyed cheaper oil prices this year than in the rest of the world, as the proverbial 'Asian premium' reversed into an 'Asian discount'. Asia is the main outlet for Middle East sour grades, whose discount to sweet benchmarks deepened this year to record levels. Non-OECD consumers are also comparatively large consumers of residual fuel oil, a product used, among other things, as feedstock in independent Chinese refineries, and which has also been trading at discounted prices.

More importantly, retail and wholesale price controls have shielded end-users in several key economies from the full impact of international price rallies. Prices for diesel, the mainstay of Indian demand, were kept flat at 21.73 rupees/liter through the first half of the year, then raised by 4.6% to 22.73 rupees as of 15 June, another 6.8%, to 24.28 rupees, as of 1 August, and an incremental 2%, to 24.84 rupees, as of 1 November. Over the period, prices rose by only 14%, substantially less than international gasoil prices in Singapore or London. This has helped fuel a recovery in Indian diesel demand, which is projected to have risen by about 60 kb/d, or 7%, this year, reversing a 10 kb/d contraction in 2003. Another 30 kb/d of Indian demand growth is expected from subsidized-LPG sales.

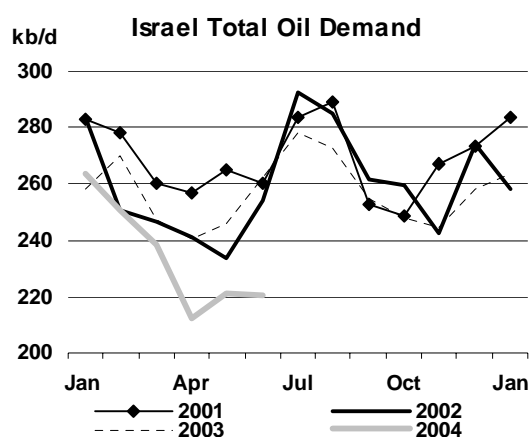
The same is true in Thailand, where retail diesel prices in Bangkok have been kept flat at 14.59 baht/liter since January, helping fuel projected demand growth of about 30 kb/d, or 9%. In contrast, demand for gasoline, which was only partially subsidized and whose price was allowed to rise, advanced by just 3%.

Economic expansion is the other key driver of consumption growth. Oil demand is more sensitive to income gains than to price increases, and steep GDP growth in China and elsewhere may have helped offset price gains. In China, in particular, GDP per capita appears to have reached key inflexion points, associated with the development of a consumer-oriented middle-class, at which oil consumption tends to race ahead of overall economic growth. In oil producing countries of the Middle East, consumers have enjoyed the twin benefits of record low product prices and the economic impact of soaring oil export revenues.

How long can demand continue to surge in the face of high prices? For oil importing economies, heavy oil subsidies, if prolonged, can exert a heavy toll of financial balances. While consumers may be shielded from price increases in the short term, government resources are affected. This may in the long run reduce government spending and infrastructure development projects essential to keep economic growth going. Oil price effects are always lagged. Price controls may cause them to be even more lagged, but also more profound, than in unregulated economies.

Other Non-OECD

The projection of Middle East demand has been trimmed by 30 kb/d for 2003 and 40 kb/d for 2004, reflecting downward adjustments to historical and forecast Israeli demand. While political violence in Israel has taken a toll on tourism and the economy, demand is also being reduced by fuel switching out of oil for power generation and industrial use. Israeli demand fell by 20 kb/d, or 25%, for residual fuel oil and by 10 kb/d, or 17%, for gasoil in the second quarter, following the conversion of the 1,200 MW Ashdod power plant to natural gas in April. Oil consumption from the power sector is expected to fall from about 55 kb/d in 2003 to nearly zero by 2010, when all units that currently run on gasoil or residual fuel oil are switched to natural gas. A further contraction of 20 kb/d is expected from natural gas conversion in the industrial sector.



India Crude & Product Trade

(thousand barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04 ¹	Latest month vs. Aug 04 Sep 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1943	1938	2090	2013	2011	1953	2075	122	100
(by Public Oil Cos)	1088	1243	1379	1105	1312	1214	1271	1214	1154	-61	-26
Products & Feedstocks	-83	-152	-91	-132	-173	-178	-171	-164	-201	-37	69
Gasoil/Diesel	-53	-119	-99	-137	-135	-122	-69	-110	-188	-77	25
Gasoline	-48	-72	-62	-77	-67	-75	-85	-77	-63	13	25
Heavy Fuel Oil	6	5	-8	-12	13	-5	-10	-9	3	12	8
LPG	22	55	79	90	39	86	60	80	118	38	59
Naphtha	4	-1	30	19	10	-29	-39	-26	-21	5	-28
Jet & Kerosene	10	-22	-42	-29	-44	-43	-28	-35	-66	-31	-29
Other	-23	1	11	14	12	9	0	13	15	3	8
Total	1005	1091	1852	1807	1917	1834	1840	1789	1875	86	169

¹ Preliminary

Sources: Indian Ministry of Commerce, Indian Port Authorities and IEA estimates

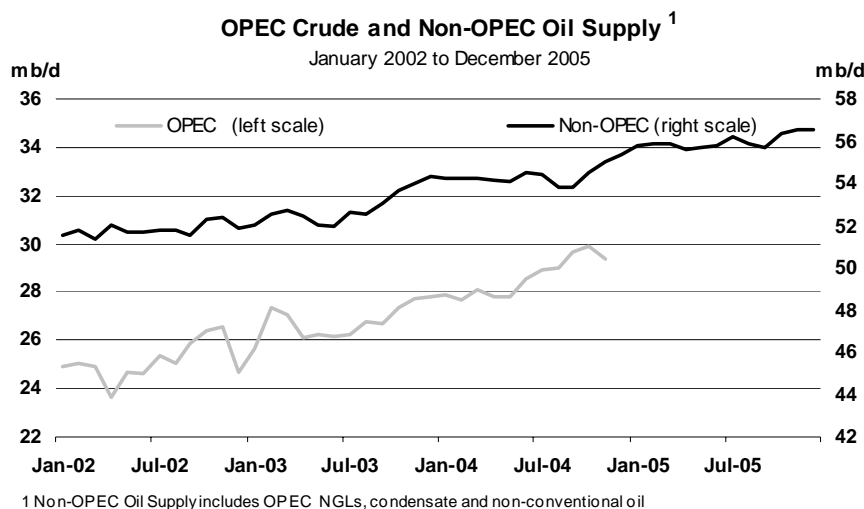
Yearly data for net imports of crude oil for 2002 are unavailable.

For 2002, 'Total' indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint-venture companies.

SUPPLY

Summary

- **World oil supply** nudged lower by 40 kb/d in November to reach 84.4 mb/d, after a sharp increase in October. OPEC crude fell by 505 kb/d, while non-OPEC production plus OPEC NGLs etc increased by a combined 465 kb/d. Global supply for both September and October was revised down by over 200 kb/d as OPEC crude and OECD oil production assessments came in lower than expected. But non-OPEC supply and OPEC 'other oils' are rebounding strongly from earlier lows, rising by a combined 335 kb/d this month, and 475 kb/d in January. A comparison with supply from last year shows OPEC crude now 1.7 mb/d above 2003 levels, non-OPEC supply up by 835 kb/d and OPEC other liquids 190 kb/d higher.
- **Non-OPEC supply** revisions for September and October are downward and amount to 155 kb/d and 110 kb/d respectively. September's adjustment was driven by the UK, where aggregate output data was pulled down by 235 kb/d. This implies heavier autumn maintenance than tentative schedules had indicated. October's revision arose from lower implied US Gulf of Mexico supply, and outages affecting Canadian, Chinese and Brazilian supply. Nonetheless, non-OPEC 4Q supply should rise by 865 kb/d versus 3Q. Non-OPEC growth now averages 1.1 mb/d in 2004 and 1.2 mb/d in 2005, marginally less than in last month's Report.
- **OPEC crude supply for November** fell by 0.5 mb/d, to 29.4 mb/d. This signalled the end of six straight months of rising OPEC output. Developments in November were heavily influenced by Iraq, where supply fell by 430 kb/d as southern exports were severely disrupted. Modest production declines were recorded by Saudi Arabia, Nigeria, UAE, Kuwait and Indonesia. Only Algeria saw increased supply, by 20 kb/d. A review of Saudi Arabia's sustainable capacity levels results in effective OPEC spare capacity of around 1.0 mb/d. However, this remains a low safety margin compared to historical norms, especially when considering geopolitical uncertainty that continues for key producers like Iraq and Nigeria.
- **OPEC-10 supply** (excluding Iraq) averaged 27.6 mb/d in November, a decline of 75 kb/d versus October. Output was within 570 kb/d of the latest target production level (27.0 mb/d), which took effect from 1 November. OPEC Ministers meet in Cairo on 10 December, with issues including the production ceiling, quota compliance and the target price range for the OPEC crude basket reportedly up for discussion.
- **The 'call on OPEC crude and stock change'** is revised up by 100 kb/d in both 2004 and 2005, to 28.0 mb/d and 27.8 mb/d respectively. Lower North Sea and North American oil supply partially accounts for the adjustment. The call for the current quarter is revised up by 300 kb/d to 29.0 mb/d, easing seasonally through mid-2005 before regaining 29.0 mb/d again by end-2005.



All world oil supply figures for November discussed in this Report are IEA estimates. Estimates for OPEC countries, Alaska, Egypt and Russia are supported by preliminary November crude supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. No contingency allowance for random events is subtracted from the supply forecast. Although upside variations can occur, experience in recent years indicates that, roughly speaking, the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.

OPEC

OPEC crude supply for November fell by 500 kb/d, to 29.4 mb/d. This signalled the end of six straight months of rising OPEC output. October's supply estimate for OPEC was also revised down by 95 kb/d to 29.9 mb/d with downward adjustments made to Iranian and UAE data on the basis of latest information on exports and field production levels respectively. Developments in November were heavily influenced by Iraq, where supply fell by 430 kb/d. Pipeline flows to both the southern export terminals and to Ceyhan in Turkey were disrupted, although weather-related loading delays ensured southern exports were hardest hit. Other production declines were more modest, ranging from 50 kb/d for Saudi Arabia to 15 kb/d or less for Nigeria, UAE, Kuwait and Indonesia. Only **Algeria** saw increased conventional crude supply. Build-up in production at the new ROD development is thought to have contributed to a 20 kb/d increase in supply. Higher output here and a potential increment for overall capacity await completion of central processing facilities.

The review of Saudi Arabia's sustainable capacity levels later in this section results in total effective OPEC spare capacity (excluding Iraq, Nigeria, Venezuela and Indonesia) being revised up to around 1.0 mb/d. However, this remains a low safety margin compared to historical norms, which for the past decade have averaged 3-4 mb/d. It is also low when considered against the uncertainty still surrounding output from a number of key producers, including Iraq, Nigeria, Venezuela, Norway, Brazil and Yukos in Russia. A combination of insurgent activity, industrial action, ethnic unrest and financial difficulties has at various times over the past few months threatened supplies from these sources, with a potential 1.5-3.0 mb/d of output at risk in each case. As noted before however, new investment in OPEC capacity between 4Q 2004 and end-2005 should add a further 600-800 kb/d to installed capacity levels on a net basis.

OPEC Crude Production

(million barrels per day)

	1 Nov 2004 Target	Nov 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Nov 2004 Production	Production vs. Target
Algeria	0.86	1.29	1.30	0.01	0.43
Indonesia	1.40	0.97	1.00	0.04	-0.43
Iran	3.96	3.90	4.00	0.10	-0.06
Kuwait ²	2.17	2.44	2.50	0.06	0.27
Libya	1.45	1.61	1.62	0.01	0.17
Nigeria	2.22	2.35	2.40	0.05	0.13
Qatar	0.70	0.80	0.80	0.00	0.10
Saudi Arabia ^{2,3}	8.78	9.55	10.0-10.5	0.45-0.95	0.77
UAE	2.36	2.42	2.55	0.14	0.06
Venezuela ⁴	3.11	2.25	2.25	0.00	-0.86
Subtotal	27.00	27.57	28.42-28.92	0.85-1.35	0.57
Iraq		1.79	2.50	0.72	
Total		29.36	30.92-31.42	1.57-2.07	
				<i>(excluding Iraq, Nigeria, Venezuela., Indonesia)</i>	<i>0.76-1.26)</i>

1. Capacity levels can be reached within 30 days and sustained for 90 days

2. Includes half of Neutral Zone Production

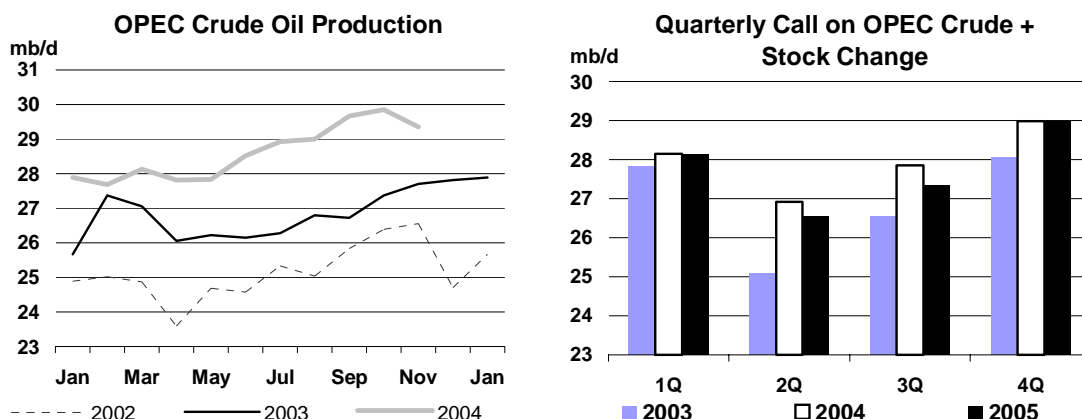
3. Saudi Arabian capacity shown as a range since a delay may be incurred before higher level can be achieved

4. Excludes upgraded Orinoco extra-heavy oil which averaged 378 kb/d in November

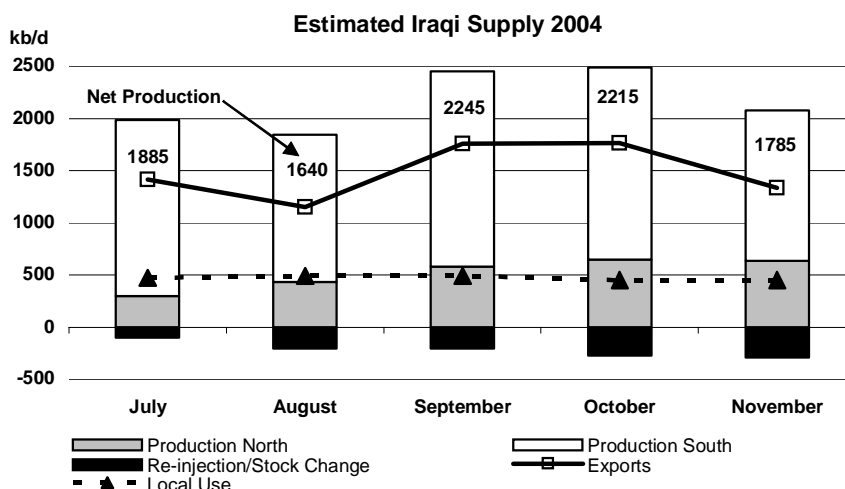
Crude supply from the OPEC-10 (excluding Iraq) averaged 27.6 mb/d in November, a decline of 75 kb/d versus October. Output was within 570 kb/d of the latest, 27.0 mb/d target production level which took effect from 1 November. Recent total OPEC production levels of just under 30 mb/d may prove to be a peak for now. In the case of Saudi Arabia, Iran and UAE reported term customer responses to offers of incremental supply, and the weakening trend in formula prices, suggests these

producers would struggle to shift higher volumes of production. Economic, as distinct from physical nameplate, capacity levels may have been reached.

OPEC Ministers meet in Cairo on 10 December, with issues including the production ceiling, quota compliance and the target price range for the OPEC crude basket reportedly up for discussion. A growing number of producers including Venezuela and Iran, but also Indonesia, Kuwait, Libya and Qatar are reported to have suggested that further sharp price falls could require curbing production to levels closer to the 27.0 mb/d target. Others, including Saudi Arabia, Algeria and Nigeria have gone on record saying that any cut in production now, with prices still relatively high, and ahead of peak winter demand, would be premature.



With production from the OPEC-10 largely stable, interrupted supply from **Iraq** underpinned the 500 kb/d decline in total OPEC supply. Iraqi production (net of re-injection and deliveries into storage) averaged 1.8 mb/d in November, falling by 430 kb/d from October's 2.2 mb/d. Domestic use of crude at refineries and for power generation remained constrained at around 450 kb/d in light of repeated disruptions at all three of the major domestic refineries. The drop in net production was therefore largely the result of sharply curtailed exports from the southern oilfields via the Basrah and Khor al-Amaya terminals on the Arab Gulf. Further disruptions on the northern export pipeline to Ceyhan in Turkey precluded any increase in export liftings from the port, although total exports from the latter outlet remained steady at around 150 kb/d, as in October. In total, Iraqi exports fell to 1.35 mb/d from October's 1.75 mb/d. Once again, we would urge caution in interpreting the spare capacity levels from the *OPEC Crude Production* table above. Iraq can theoretically attain 2.5 mb/d of gross production, but only if exports were to enjoy an un-impeded month and refinery utilisation was to rise. The erratic nature of production and export recovery in recent months (see below) means that 'spare capacity' here is best regarded as theoretical.



Periodic sabotage and disruptions to northbound pipeline flows to Ceyhan continued through November, with northern oilwells also being hit. At start-December, pipeline throughput had again halted and, with the 10 mb-capacity storage tanks at Ceyhan largely empty, tanker liftings scheduled

for late-November and the first few days of December were deferred. The renewed disruptions here mean that SOMO will likely have to rely once more on spot sales for northern Kirkuk crude after 4Q term export contracts expire. Problems in the south were more prosaic, with pipeline corrosion and weather-related loading delays playing prominent roles in cutting tanker liftings from Basrah terminal. However, latest indications are that southern exports had recovered again into a 1.6-1.8 mb/d range in the first week of December.

Saudi Arabia's Sustainable Production Capacity

November marked a third successive month of Saudi crude supply above 9.5 mb/d. Hitherto, this Report has assessed sustainable production capacity (attainable in 30 days and sustainable immediately thereafter for at least 90 days) at 9.5 mb/d. Recent production levels suggest that a more thorough re-examination of Saudi capacity is in order. The result has been an increase in the assessment through the adoption of a range between 10.0 mb/d and 10.5 mb/d. This accords with a number of other analyses, notably that of the US Energy Information Administration. The lower end of the range fits more closely the definition of immediately sustainable capacity, while the upper end of the range may be attainable and/or sustainable but with a greater time lag.

As the Saudi Minister of Petroleum has said on several occasions, capacity can only truly be confirmed when it is put into use. For other OPEC producers, recent surges in production have helped to identify the broad level of achievable capacity. In contrast, Saudi Arabia's aim of maintaining a certain level of spare capacity at all times makes estimating actual sustainable production capacity an inexact science. The lack of data on individual monthly field production levels (a shortcoming not restricted to Saudi Arabia) also renders estimation difficult. The balance of evidence in recent months has however shifted in favour of higher Saudi sustainable production capacity.

Well documented new production from the Qatif and Abu Safah fields is believed to be approaching capacity in November and December. The 650 kb/d of extra production provided by these fields, in the form of Arab Light and Arab Medium crude, was originally designed to replace decline elsewhere. With extra drilling at older fields however, this new supply is now likely to be, at least in part, incremental to existing capacity. Reports of up to 800 kb/d of new capacity from these projects overstate the likely increment however. Up to 150 kb/d of existing Abu Safah production accrues to Bahrain and lies outside Saudi quota but, confusingly, is believed to be included in Saudi Arabia's own quoted capacity levels.

Reports began to emerge in September of increased drilling activity within the Kingdom, aimed at stemming decline and sustaining production at existing fields. Drilling companies such as Nabors Industries Ltd. and National Oilwell Inc. have reported increased orders. There are indications that the proportion of rigs targeting oil as distinct from gas is also increasing from 55% to 75%. The first results from this incremental drilling programme should by now become apparent.

Under the IEA definition for sustainable capacity however, we are disinclined to adopt recent capacity claims of 11 mb/d. Uncertainty over annual decline rates persists (a wide range of between 300-800 kb/d per year has been cited). In the past too, Saudi Arabia has quoted capacity levels achievable within 90 days, as distinct from the IEA's 30 days limit. Recent statements suggesting the Kingdom's preferred spare capacity cushion may have fallen back to 1.0-1.5 mb/d from an earlier 2.0 mb/d may also lend credence to capacity lying within, but not above, this 10.0 – 10.5 mb/d range.

Early November indications of higher export loadings from **Nigeria** during the month failed to be realised by way of higher overall supply. Nigerian output is assessed down slightly versus October, at 2.35 mb/d. Recent production performance, statements from state oil company NNPC and a survey of other analysts' opinion has also led to a further modest downward revision in Nigerian sustainable capacity, to 2.4 mb/d from last month's 2.45 mb/d. NNPC also stated that existing deepwater discoveries raise the prospect of capacity reaching 3.4 mb/d, although the timing and also the extent to which this estimate reflects field decline elsewhere were not clear. Producers in Nigeria may soon face legislation requiring them to refine increasing proportions of their output in Nigerian refineries, rising from 25% by 2006 to 100% by 2010. While such a move would help address chronically low utilisation rates at the country's downstream plants, it is seen as a potential disincentive for foreign companies to boost upstream spending.

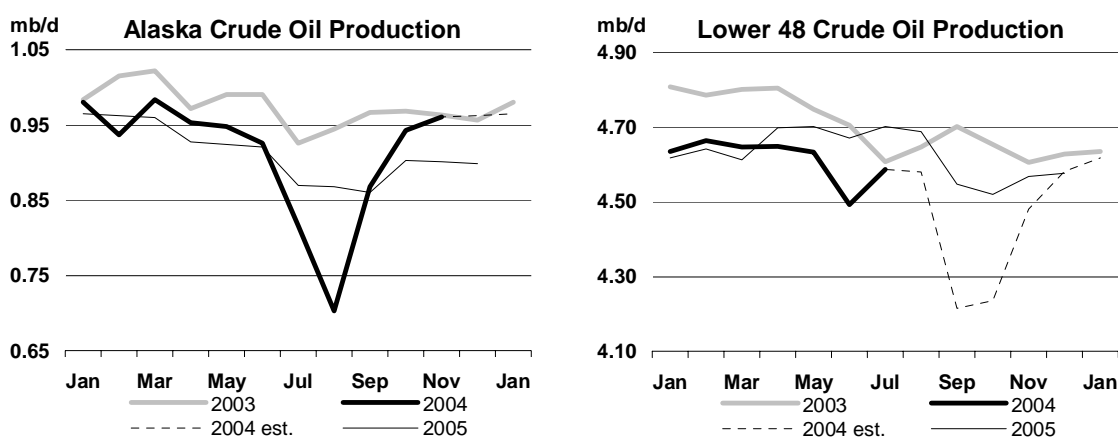
In the shorter term, November saw one threat to Nigerian production recede but another emerge. A national strike planned for mid-November in protest at domestic fuel price rises, and which was reportedly likely to hit oil production and exports, was suspended just prior to getting underway. The government agreed to increase price subsidies, effectively cutting prices by 8% compared to union calls for a 20% cut. However Shell and ChevronTexaco were forced to shut-in 120 kb/d of production in early December in Rivers State, in the country's Niger Delta. Local protestors calling for jobs and greater development spending by the government occupied production facilities on 5 December. Although the occupation had ended at the time of writing, production remains shut-in and threats persist that facilities will be re-occupied unless the government acknowledges the protestors' grievances.

Indonesian crude production has resumed a declining track, latest data suggesting a downward-revised level of 970 kb/d in October and 965 kb/d in November. However, condensate production (excluded from consideration for OPEC quotas) recovered towards 130 kb/d after two months of depressed supply around 120 kb/d. The renewed fall in crude supply came in spite of start-up at the offshore Belanak field located in the South Natuna Sea and operated by ConocoPhillips. Initial production of around 20 kb/d of crude should increase to 60 kb/d in 2005. This Report's estimates suggest however that Belanak will do little to halt Indonesia's prevailing production decline in the short term as steep decline at mature fields continues. With this in mind, the government has been pushing for state Pertamina to ensure timely development of the potentially prolific Cepu block on Java. This may ultimately involve Pertamina acceding to operator ExxonMobil's calls for its operating contract to be extended beyond 2010.

OECD

North America

US – November Alaska actual, others estimated: Revisions to US data are concentrated in October and November, with those months' total supply adjusted down by 25-30 kb/d compared to last month's Report. However, total US crude supply recovered to 5.4 mb/d in November from below 5.1 mb/d in September. Implied Gulf of Mexico (GOM) production has been revised down by 25 kb/d for October and by 50 kb/d for November. The latter reduction was however partly counteracted by higher than expected output from **Alaska**. Here, production from Prudhoe Bay and at the Kuparuk and Alpine fields exceeded expectation, offsetting outages incurred early-month at Northstar and Milne Point. Alaskan crude supply reached 960 kb/d in November, recovering from an August low near 700 kb/d. The role of satellite field developments in sustaining Alaskan output was emphasised, with Federal approval for ConocoPhillips to proceed with expansion at the Alpine field.



Total supply from the GOM is estimated at 1.46 mb/d for November, compared to September's storm affected 1.18 mb/d. As of Monday 6 December cumulative shut-in production was nearly 34 mb, with 155 kb/d of output still idled. On average, some 200 kb/d remained off-line through November, compared to our early-month estimate of 150 kb/d. We now assume 100 kb/d remaining out of action in December, 75 kb/d in 1Q 2005 and 50 kb/d in 2Q 2005, slightly higher levels for December through March than had been assumed in last month's Report.

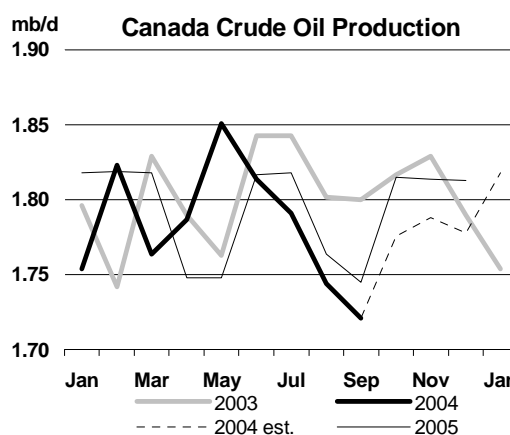
Repairs to damaged subsea pipelines, the main cause of the disrupted production, continue. This damage was itself the result of huge underwater mudslides in the Mississippi Delta and played a

greater role in curtailing supply than did damage to production facilities. The precise timing and pace of production recovery remains a source of uncertainty. Further downward adjustment to forecast GOM supply for 2005 is the result of changes at ConocoPhillips' Magnolia field. Appraisal work at the field, due to enter production this month, has caused a downgrading of reserves. Originally planned production for the second half of 2005 of 50 kb/d has been scaled back to 35 kb/d. Sharp decline in the field's production is now expected after 2006.

Canada – October Newfoundland actual, others September actual: Aggregate September data show the continuation of sharp decline in Canadian conventional crude production evident since May, output barely exceeding 1.7 mb/d. Total liquids output, including NGL and synthetic crude, reached 3.06 mb/d in September compared to 3.11 mb/d in May. Maintenance at the Shell Scotford syncrude plant in October and November kept total Canadian supply below 3.1 mb/d. The fall in conventional crude output has been driven in part by the Hibernia and, particularly, the Terra Nova fields offshore Newfoundland. The latter returned to operation after extended maintenance in early November but was shut down again after mechanical problems emerged on 21 November. Output is reported likely to remain shut-in until mid-December. Normal production levels at the field are around 150 kb/d.

These protracted outages late in 2004 result in a 15 kb/d downward adjustment to Canadian supply for the year. Lower baseline output of bitumen and synthetic crude from Alberta has also led to a re-evaluation of supply from these sources for 2005. Combined output is now seen averaging 990 kb/d in 2004 and 1085 kb/d in 2005. The latter is 50 kb/d less than the estimate contained in last month's Report.

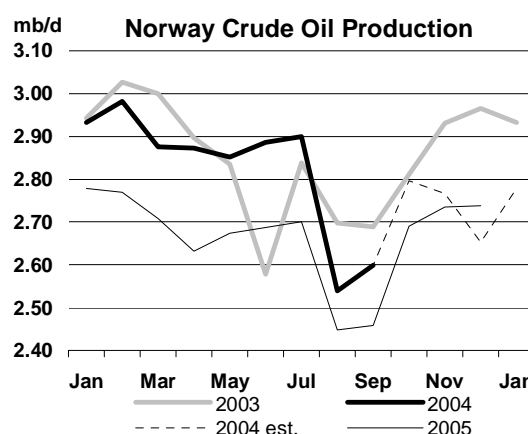
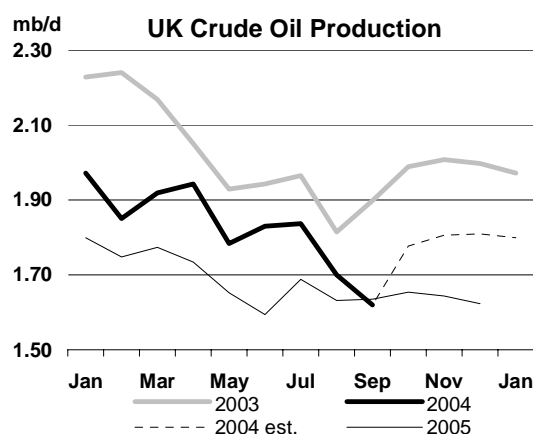
The Canadian Association of Petroleum Producers (CAPP) reported a 300 mb rise in bitumen reserves for 2003 but a 200 mb decline in conventional crude. A turnaround in the decline of conventional reserves might have been hoped for in 2005, after estimates of record drilling levels planned for next year. However, these increased exploration levels have recently been called into doubt following reports of potential manpower shortages.



North Sea

UK – September actual: Aggregate data for September production came in sharply lower than expected, to the tune of 230 kb/d, well below earlier indications derived from loading programmes and announced late-summer maintenance schedules. Offshore crude output averaged 1.62 mb/d in September compared to 1.7 mb/d in August and a recent high of 1.95 mb/d in April. This implies markedly higher maintenance levels for the UK sector, although the issue is clouded by a paucity of advance information from UK operators. Production is seen rebounding from recent low levels in 4Q 2004 however, despite unplanned stoppages in November at the Forties and Brae fields.

In total, UK output has been revised down by 30 kb/d for 2004, offshore crude averaging 1.8 mb/d and total liquids 2.1 mb/d. Levels for 2005 are held steady from last month's Report at 1.7 mb/d and 1.9 mb/d respectively. New start-ups at the Howe, James, Clair, Alba Extreme South, Glenelg and Chestnut fields, although modest individually in volume terms, help to stem production decline in



2005. The forecast for 2005 may however be subject to downward revision in the months ahead if detailed field-by-field production data for the second half of 2004 confirm steeper decline rates at key fields, or a sustained trend towards heavier and more protracted field maintenance.

Norway – September actual, October provisional: Further downward revisions to North Sea supply derive from Norway, where total output is adjusted down by around 15 kb/d for both 2004 and 2005. Government data actually suggest crude output running above our forecast for September and October, at 2.6 mb/d and 2.8 mb/d respectively. However, November saw unplanned stoppages at three fields which reduced our estimate for production by 75 kb/d. Firstly, in early November a damaged production riser at the Varg field caused operator Petroleum Geo-Services to cut field output to 15 kb/d from normal operating rates of 25 kb/d. Reduced operating rates will be sustained through until March 2005. Secondly, Statoil suffered a gas leak at the Snorre A field on 28 November which caused the shut in of 200 kb/d of output at Snorre A and the associated Vigdis field. Production here is unlikely to re-enter service before mid-December.

Former Soviet Union (FSU)

Russia – October final, November provisional: Total Russian oil production fell back by some 20 kb/d in both October and November. Remarkably, this was the first let-up in monthly supply growth since December 2002. Nonetheless, production in 2004 now appears on track to average 9.2 mb/d, growing by 735 kb/d versus 2003. Lower baseline output for 4Q 2004 also underpins a modest downward adjustment to 2005 supply. This is now seen averaging 9.64 mb/d, implying annual growth of 420 kb/d versus this year's total. Growth has therefore been scaled back by 30 kb/d compared to last month's estimate.

The slowing in growth for 2005 is widely seen as reflecting uncertainties over export capacity availability, a tightening of government controls on reservoir management and any fall-out from the potential financial collapse of the troubled Yukos organisation. While we consider the latter factor unlikely to play a primary role in determining short term production growth, the disposition of Yukos production assets could impact upon perceptions of the longer term investment environment in Russia. An auction of the assets of Yukos' main production subsidiary has now been scheduled for 19 December, with state-controlled Gazprom considered a front-runner in the bidding process.

Despite generally lower Russian production growth expectations for the short term, the surge in output in the past year has forced the Industry and Energy Ministry to re-visit its longer term Energy Strategy. Last year's document saw 2020 production lying within a 9.0-10.4 mb/d range, but recent production growth is reported to have led to an increase in the forecast to 11.0-11.9 mb/d.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

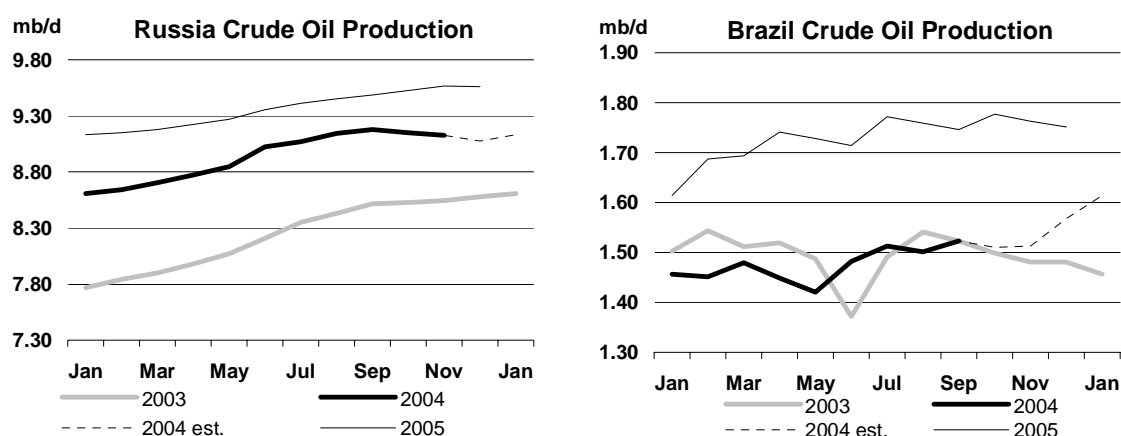
	2002	2003	4Q03	1Q04	2Q04	3Q04	Revised		Prelim.	Latest month vs.	
							Sep 04	Oct 04	Nov 04	Oct 04	Nov 03
Black Sea Exports	2.52	2.80	2.68	2.84	2.75	2.90	2.63	2.99	2.63	-0.36	0.01
Baltic/Arctic Exports	2.02	2.42	2.61	3.03	3.11	3.15	3.14	2.99	2.94	-0.06	0.21
Total Seaborne	4.54	5.22	5.29	5.87	5.87	6.05	5.77	5.98	5.57	-0.41	0.22
Druzhba Pipeline	1.04	1.05	1.08	1.09	1.04	1.10	1.12	1.08	1.13	0.05	0.05
Other	0.35	0.48	0.49	0.48	0.53	0.56	0.64	0.55	0.70	0.15	0.36
Total Exports	5.93	6.75	6.87	7.44	7.43	7.71	7.52	7.61	7.40	-0.21	0.63
Imports	0.01	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.00	0.00
Total Net Exports	5.92	6.73	6.86	7.43	7.42	7.69	7.52	7.60	7.39	-0.21	0.63
Crude	4.04	4.69	4.82	5.14	5.18	5.32	5.25	5.49	5.33	-0.15	0.66
<i>of which: Russian Crude</i>	<i>3.02</i>	<i>3.43</i>	<i>3.38</i>	<i>3.65</i>	<i>3.82</i>	<i>3.75</i>	<i>3.65</i>	<i>3.89</i>	<i>3.81</i>	<i>-0.08</i>	<i>0.45</i>
Products	1.89	2.06	2.05	2.30	2.25	2.39	2.28	2.12	2.06	-0.06	-0.03

Sources: Petro-Logistics, IEA estimates

Preliminary weekly data for FSU seaborne oil exports via the Transneft system in November suggest a sharp fall from record October levels. Delays facing vessels using the Turkish straits, and weather-related loading disruptions at the port of Novorossiysk led to a sharp fall in Black Sea liftings. However, increased Russian crude flows via the CPC and Druzhba pipelines, and indications of sharply higher Caspian crude swaps with Iran suggest a partly offsetting 200 kb/d rise in exports via alternative routes. Overall FSU net exports for November are seen down by 210 kb/d versus October, but this is 630 kb/d above November 2003 levels.

Other Non-OPEC

Brazil – September actual, October provisional: Crude production increased by 20 kb/d in September to 1.52 mb/d, a further 10 kb/d increase coming from NGL. However, October crude output slipped by 15 kb/d as start-up of new wells at the Marlim field was offset by field maintenance elsewhere in the offshore Campos Basin. New offshore production at the Albacore, Barracuda and Caratinga fields will push Brazilian output higher in 4Q 2004 and in first-half 2005. On the downside, Barracuda start-up has been deferred from November to this month. Alongside reports from Petrobras of expected 2005 mature field decline rates, this leads to a downward adjustment to forecast crude production of 10-15 kb/d for this year and next. Crude production is now seen averaging 1.49 mb/d in 2004 and 1.73 mb/d in 2005 (total oil averages 1.8 mb/d and 2.0 mb/d).



Revisions to other non-OPEC estimates: A further 30 kb/d of downward revisions for 2005 result from developments in Oman, Angola and Egypt. For **Oman**, recent statements by Petroleum Development Oman suggest sharper decline in 2005 production than had earlier been assumed by this Report. Total Oman oil supply in 2005 is revised down by 15 kb/d, to 740 kb/d, as a result. The deferral of build-up in Sanha condensate production during 2005 reduces **Angolan** output by some 10 kb/d. Lower baseline supply from **Egypt** in October and November also reduces forecast 2005 output modestly. In contrast, **Malaysian** production for 2005 is revised up 15 kb/d having taken account of sharply higher October 2004 output data.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.65	14.90	0.25	14.63	14.85	0.22	-0.02	-0.05	-0.03
Europe	6.13	5.90	-0.23	6.09	5.89	-0.20	-0.04	-0.01	0.03
Pacific	0.58	0.54	-0.04	0.58	0.54	-0.04	0.00	0.00	0.00
Total OECD	21.35	21.34	-0.02	21.30	21.28	-0.01	-0.06	-0.05	0.00
Former USSR	11.18	11.82	0.64	11.17	11.77	0.60	0.00	-0.05	-0.05
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.46	3.52	0.05	3.46	3.53	0.06	0.00	0.01	0.01
Other Asia	2.74	2.71	-0.03	2.74	2.73	-0.01	0.00	0.02	0.01
Latin America	4.05	4.36	0.31	4.04	4.35	0.30	-0.01	-0.01	-0.01
Middle East	1.89	1.86	-0.03	1.89	1.84	-0.05	0.00	-0.02	-0.02
Africa	3.41	3.72	0.31	3.41	3.71	0.30	0.00	-0.01	-0.01
Total Non-OECD	26.90	28.15	1.25	26.89	28.08	1.19	-0.01	-0.07	-0.07
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.09	51.36	1.27	50.03	51.23	1.20	-0.06	-0.13	-0.06

OMR = Oil Market Report

OECD STOCKS

Summary

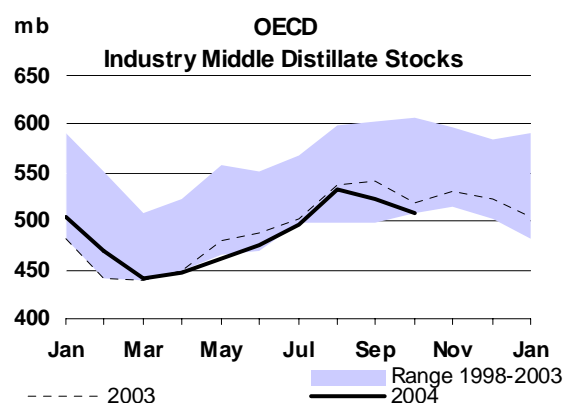
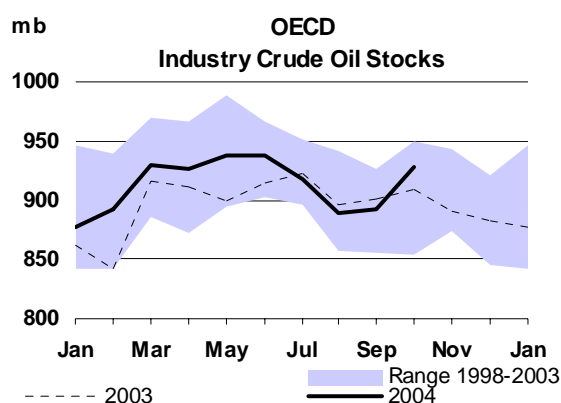
- **OECD industry total oil stocks** rose 490 kb/d in October, or 15 mb, closing at an estimated 2616 mb or 47 mb above year-ago levels. A build in crude oil stocks of 1.13 mb/d outpaced a 400 kb/d draw in product stocks, primarily in distillate fuels. The counter-seasonal fall in distillates, however held in check an improvement in days of forward demand cover. OECD industry oil stocks covered 52 days of forward demand, unchanged from September and about par with the same period last year.

Preliminary Industry Stock Change in October 2004 and Third Quarter 2004

	October (preliminary)				Third Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.64	0.19	0.30	1.13	-0.31	-0.10	-0.09	-0.49
Gasoline	0.09	-0.06	0.00	0.03	0.01	0.02	-0.01	0.02
Distillates	-0.29	-0.18	0.01	-0.46	0.20	0.15	0.16	0.51
Residual Fuel Oil	0.10	0.03	-0.02	0.11	-0.03	0.00	-0.01	-0.04
Other Products	-0.18	0.03	0.07	-0.08	0.24	0.04	0.02	0.29
Total Products	-0.28	-0.17	0.05	-0.40	0.42	0.21	0.15	0.79
Other Oils ¹	-0.13	-0.02	-0.09	-0.24	0.19	-0.01	0.04	0.22
Total Oil	0.23	0.00	0.26	0.49	0.30	0.10	0.11	0.51

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** rose 1.13 mb/d or up 35 mb in October with gains seen across all regions. North America led the build with the US adding about 16 mb during the month. US stocks were lifted by faster than expected recovery in Gulf of Mexico production and imports sustained at high levels in relation to refinery runs. Europe's crude stocks rose with post field maintenance replenishing of offshore Norwegian stocks. Inventories in the Pacific saw contrasted trends with stocks building Japan on high imports and declining in Korea due to strong refinery activity.
- **OECD industry distillate stocks** fell by 460 kb/d in October or 14 mb with draws centred in North America and Europe. Pacific stocks were flat with offsetting changes in gasoil and kerosene. Middle distillate stocks in the US fell on declines in diesel and jet/kerosene fuels, the draw prompted by demand and constrained output due to scheduled refinery maintenance. European stocks were also down, albeit from an upward revised September base with draws centred in diesel rather than jet fuel or heating oil. Independent storage of gasoil in the ARA area in November ended at seasonal levels on thin heating oil demand and imports of Scandinavian and Russian material.
- **OECD industry gasoline stocks** were little changed in October but remained at comfortable absolute levels, particularly in the Atlantic Basin. While imports fell, gasoline production in the US rose and demand growth turned negative. Increasing US supplies limited spot arbitrage opportunities from Europe in October. Despite some refinery buying on the barge market and open arbitrage in November, gasoline built in ARA independent storage, ending at relatively high levels on a seasonal basis.



Note: OECD stock levels and changes henceforth include the Slovak Republic

OECD Industry Stock Changes in October 2004

OECD industry oil stocks in October ended at an estimated 2616 mb, up 15 mb from September and closing 47 mb above their year-earlier position. The 490 kb/d build came on the back of gains in crude inventories across all regions, outpacing counter seasonal draws in distillate products. However, the decline in products stocks, part motivated by a period of refinery maintenance in the Atlantic Basin and part driven by strong diesel demand, held in check an improvement in days of forward demand cover. OECD industry product stocks fell 400 kb/d or 12 mb in October, closing at the bottom end of their range. Days of forward demand cover by OECD industry oil stocks held flat from September at 52 days.

OECD industry crude stocks built 1.13 mb/d in October or 35 mb. Increasing crude availability eased backwardation in the near month futures contracts for IPE Brent and NYMEX WTI and prompted a shift to a contango structure in November, supporting further stock builds. Most of the increase came in the US, where 16 mb were added in October to an upward revised September stock level. With scheduled refinery maintenance lowering utilisation rates, US stocks were lifted by average imports nearing historical highs and production recovering in the Gulf of Mexico. US gains were modest in November as refinery activity gained momentum and imports fell back. The first half of December is likely to see a moderate US stock draw. Though refiner runs are expected higher, supplies will be supported by increased imports of light sweet crude. With muted Asian interest, a number of unsold West African cargoes loading late November and December were offered at steep discounts into the US Gulf Coast. European crude stocks ended at the top of their five-year range in October, closing 6 mb higher on gains in Norway. Declines in the region, prompted by relatively firm runs given scheduled maintenance, were mitigated by the availability of North Sea, Urals and competing sour crude. In the Pacific, stocks built in Japan where imports from term suppliers were high and refinery runs were at a seasonal lull.

Atlantic Basin gasoline stocks were little changed but were high in absolute levels in relation to demand. US stocks built in spite of lower refinery utilisation rates. Product yield remained skewed towards gasoline and demand growth was negative in October. This supply-driven momentum prompted further stock builds during November. European gasoline stocks ebbed. After shipments of winter quality material in September, spot cargo arbitrage to the US in October was limited by growing domestic supplies in the US. While spot arbitrage to US opened in November, gasoline in ARA independent storage continued to rise.

OECD industry distillate stocks fell in the Atlantic Basin and were unchanged in the Pacific. Japan and Korea both saw stocks of kerosene rise as refiners maximised output at the expense of gasoil. The US dominated the distillate draw due to lower refinery runs and product yields centred on gasoline. Declines came in diesel and jet fuel. US heating oil stocks held about level in the east coast's Central Atlantic states, even in absence of higher imports, while building on the Gulf Coast due to pipeline constraints. US distillate stocks rose in late November with expanded domestic output. Heating oil stocks in the US, while on the low side, are likely to see some build in December. Pending on mild weather, increased refinery runs and financial support provided by a contango in the near month's NYMEX No 2 contract should support higher storage levels. European distillates stocks fell, but off upward revised August and September levels. Diesel remained tight, but jet fuel and heating oil stocks were more ample. Heating oil demand contracted on yearly basis in Europe and deliveries into large markets like Germany were incremental due to high prices and mild weather. Barge sales of heating oil out of ARA oil picked up to Germany, Switzerland, the Benelux and France but stocks in independent storage ended at seasonal levels in November, volumes supported by inflows of Baltic and Scandinavian material. As such, high physical delivery (in ARA) into IPE's November gasoil contract (172 000 tonnes) was not accompanied by heavy withdrawals from independent storage in ARA and likely settled by tank transfers.

Revisions to Preliminary OECD Stocks and Inventory Position at End-October

Revisions Versus 10 November 2004 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Aug 04	Sep 04	Aug 04	Sep 04	Aug 04	Sep 04	Aug 04	Sep 04
Crude Oil	-0.1	8.0	-1.7	4.3	0.0	-10.4	-1.8	1.9
Gasoline	-1.3	2.0	0.9	-1.3	0.0	-0.7	-0.4	0.0
Distillates	-3.1	-6.5	5.9	4.5	0.1	0.1	2.9	-1.9
Residual Fuel Oil	-0.2	-2.5	0.9	-3.7	0.0	-0.4	0.7	-6.6
Other Products	-3.5	-0.4	0.7	1.2	0.1	0.4	-2.7	1.2
Total Products	-8.0	-7.5	8.4	-1.7	0.2	-0.6	0.5	-9.7
Other Oils ¹	-0.3	2.0	-1.6	2.0	0.0	3.4	-1.9	7.4
Total Oil	-8.4	2.5	5.1	4.6	0.2	-7.5	-3.2	-0.4

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD total oil stocks closed October at 2616 mb, or 47 mb above 2003. Barring product stocks in the Pacific, industry oil inventories posted surpluses against their year-earlier position across all OECD regions. Days of forward demand cover by OECD oil stocks held flat overall in October at 52 days. Cover in North America came to 49 days, 59 days in Europe and 47 days in the Pacific.

Year-on-Year Industry Stock Comparisons for October 2004

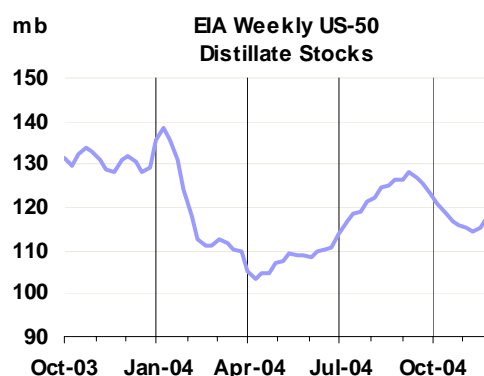
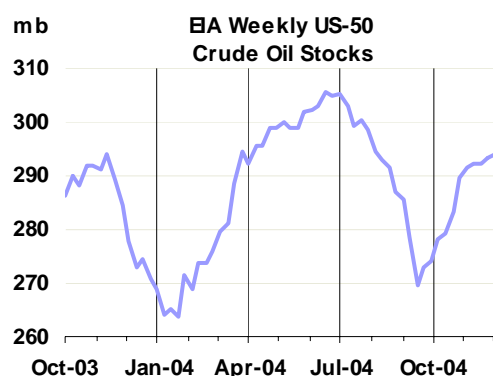
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	3.6	3.7	10.5	17.9	Total Oil	0.2	-0.1	0.2	0.1
Total Products	22.1	20.1	-10.1	32.1	Versus 2002	-1.0	-1.8	2.5	-0.5
Other Oils ¹	1.2	-4.4	0.1	-3.1	Versus 2001	-4.7	0.7	-6.3	-3.4
Total Oil	26.9	19.4	0.5	46.9	Total Products	0.4	0.5	-1.0	0.2
Versus 2002	23.6	1.4	2.1	27.1	Versus 2002	-0.3	-1.8	0.0	-0.6
Versus 2001	-24.6	21.8	-56.6	-59.4	Versus 2001	-2.4	-0.3	-3.4	-1.9

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks rose by about 16 mb in October, closing at 290 mb. Lost output in the Gulf of Mexico following Hurricane Ivan recovered faster than anticipated while imports were high in relation to refinery runs. Crude demand in October eased due to scheduled maintenance and utilisation rates averaged well below 90%. The largest inventory gains were seen on the Gulf and West Coasts, but stocks were also up in Cushing, the delivery point for NYMEX's light sweet crude futures contract. Softening crude fundamentals weighed on the price of the prompt WTI futures contract, narrowing the time spreads against the second delivered month. Additions to crude storage weakened in November as average crude imports fell back from October's highs. US-50 crude stocks built about 4 mb to nearly

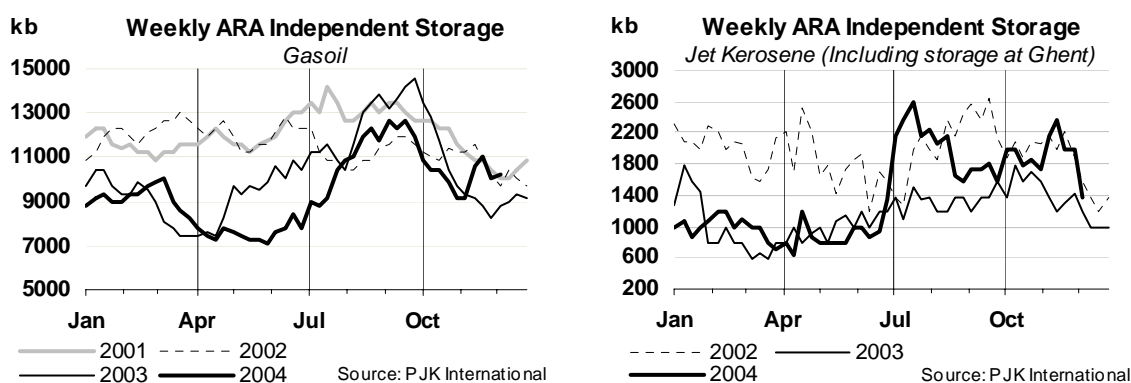


294 mb. Refinery runs recovered with the end of maintenance, utilisation rates rising more rapidly at the end of the period. Stocks in Cushing continued to increase on higher imports into the Mid-continent and NYMEX's WTI near-month prices shifted into a contango, supporting further stock builds. Availability of sweet crude supplies improved in the physical market and helped to maintain crude inventory levels despite higher throughputs. While Heavy and Light Louisiana Sweet production was partially reinstated, offers of West African crude (mainly Nigerian and Angolan) were high. With muted Asian interest, these were heavily discounted and sold on a delivered basis into the US Gulf Coast. The improved availability was seen in the Gulf Coast's sweet marker, Light Louisiana Sweet, trading from a premium against WTI in October to a discount in November. The margin for a significant build-up in crude stocks in December, however, remains limited by year-end tax considerations on inventory.

Middle distillates stocks fell in October due to supply limited by scheduled refinery maintenance and demand strength in diesel and jet fuel. Refinery utilisation averaged 88% capacity and product output remained concentrated on gasoline. The crude slate, coupled with imports, and transient demand yielded surplus fuel oil supplies accumulating in storage from October to November. US-50 distillate stocks (diesel and heating oil) began to increase late-November, ending the month at around 119 mb. Distillate yield rose to 25% in the second half of November and refinery runs resumed higher belatedly. Heating oil stocks built in November and are expected to extend gains through the first half of December. US heating oil stocks were low on a seasonal basis, but inventories in the Central Atlantic states on the east coast, where most consumption takes place, were stable during the period. Additionally, supplies were mounting on the Gulf Coast due to constraints in pipeline capacity to ship product north, but these will eventually move up to where heating oil is needed.

Europe

European industry crude inventories rose in October to 338 mb, closing above their five-year range. Stocks climbed 6 mb, mainly on builds in Norway. Refinery runs, though falling from this year's highs, were relatively firm and crude stocks, excluding Germany, were generally down in Northwest Europe. Availability of Urals, competing sour grades and North Sea crude was high as extra-regional outlets on a spot basis remained closed, leaving crude well supplied in Europe. While refinery runs should remain firm in November, crude stocks will likely maintain comfortable levels. The re-establishment of a contango structure in IPE Brent futures supports this view. A number of November loading cargoes in the North Sea were slow to clear, with refiner buying interest re-kindled at month's end by lower prices. Some North Sea grades and Urals were reportedly shipped out of the region despite mostly unfavourable economics. However, Brent swap prices (Cfds) for the week of 10 December posted a contango at the time of writing of \$1.35 against forward cash January delivery. As such, crude availability was still high and stocks in November, early December should trend near the top of their range, though probably down from October's level with a pull back in Norwegian inventories.

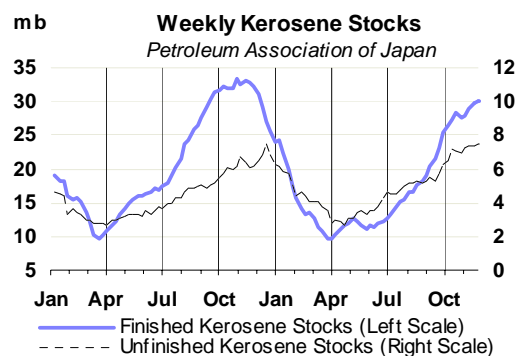


In product stocks, industry gasoline stocks in October were little changed. Demand continued to contract on a yearly basis while refinery output remained steady. Despite shipments of winter grade material to the US and some tank clearing ahead of the seasonal changeover to winter specification starting 11 October, gasoline supplies were ample. With swap prices for gasoline barges in contango, Europe's structural surplus moved into storage in November. This was reflected in growing volumes held in independent storage in the ARA area, which closed November at unseasonably high levels.

Industry middle distillate stocks fell just over 5 mb in October from an upward revised September base. Inventories closed in the middle of their five-year range and 9 mb above last year. Diesel remained the main source of tightness throughout October and November rather than heating oil or jet fuel. Cash prices for ultra low sulphur diesel posted increasing premiums to IPE's front month gasoil contract over the period. In contrast, 0.2% gasoil and jet/kerosene saw their premium steadily decline, with gasoil trading at a discount by end-November. Gasoil shipments into France, Germany, Belgium and Switzerland out of ARA, picked up in late November, however, absolute price levels and mild weather depressed interest in heating oil and favoured limited incremental buying. Independent storage of gasoil in ARA, lifted earlier by incoming Baltic and Scandinavian arrivals thus kept at normal seasonal levels. Physical supplies in the jet fuel market were also ample through November in the face of weakening demand. As such, some arbitrated cargoes scheduled for December arrival in Northwest Europe from the Middle East, Venezuela and the US Gulf Coast, were being diverted to Nigeria.

Pacific

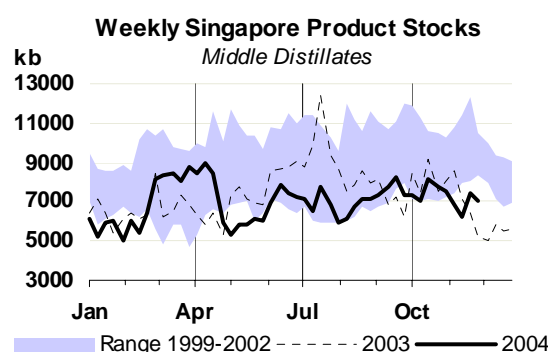
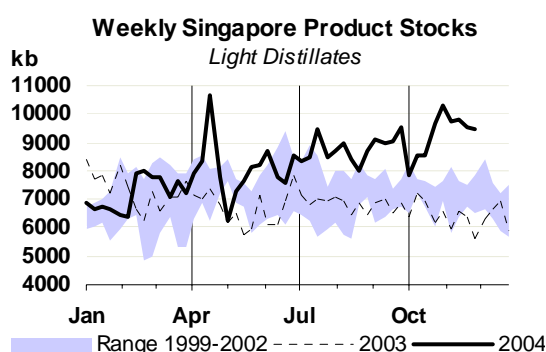
Pacific crude stocks, at 178 mb were ample, closing 10 mb above 2003. Japan and Korea saw contrasting trends with Japanese onshore crude stocks rising on the strength of heavy imports from OPEC term suppliers. Korea's imports were also up, but refinery activity was high to boost kerosene inventories. As such, kerosene was the main mover in product stocks. Both Japan and Korea saw stocks of kerosene rise on strong production and weaker demand due to mild temperatures. Gasoil supply suffered as a result, falling on strengthening domestic deliveries but also, in the case of Korea, on rising exports. OECD Pacific industry distillate stocks closed at 75 mb, closer to normal seasonal holding patterns and 5 mb below last year.



Singapore Stock Developments in November

Product stocks in Singapore, surveyed by International Enterprise, rose in November, gaining on additions to distillate and fuel oil inventories. Light products (naphtha and gasoline) in contrast fell during the month with lower Indian spot offers of naphtha and a rise in regional gasoline demand.

Light distillate stocks closed down about a million barrels at the end of November but kept high in absolute levels. Surplus supplies of naphtha began to ease. Spot offers of material from India fell back while petrochemical demand remained strong, underpinned by firm ethylene prices. Seasonal interest for gasoline by Australia and New Zealand, ahead of their driving season, was also firming. The naphtha swaps market in Singapore flipped from contango in late October to steep backwardation in November despite apparently ample supplies in tanks. This may suggest that material was committed for delivery in December and, given lower exports anticipated from India and Kuwait, could indicate a further decline in inventories. Gasoline is likely to follow an opposite direction. High regional runs increased gasoline availability relative to buying interest and reforming margins, or the premium of gasoline over naphtha, eased over the month. With key importers reportedly covered for December barrels, there appears to be modest room for incremental demand to bring down supplies.



Distillate stocks rose in November, supported by a contango in Singapore gasoil prices in October. The build came despite strong Chinese diesel demand. Chinese diesel imports in November, at 450 000 tonnes, were reportedly four times October volumes. Jet/kerosene and high sulphur gasoil likely accounted for most of the rise. Kerosene, used as heating fuel, met subdued buying interest in the face of mild temperatures and arbitrage outlets for jet fuel to the US were closed. Weakness in high sulphur diesel, in contrast to low sulphur, was seen in discounted prices. Cargoes from regional exporter Korea fetched nearly a dollar under Singapore quotes. While Indonesian demand is likely to absorb some of the high sulphur supplies, Chinese demand for low sulphur diesel could retreat in December. The current December-January contango remains supportive of further distillate stocks builds.

Residual fuel oil stocks rose in November and remained high on a seasonal basis despite a drop in arrivals of arbitrated supplies into the region. Chinese purchases came in higher than expected, with buying focused on straight run Russian material whereas interest was thin for cracked fuel oil held in Singapore tanks. Arbitrated supplies in December are expected to remain relatively low and a resumption of Chinese interest is more likely closer to January. Weakness in spot fuel oil demand and heavy arrivals in January, sourced from Europe but also the Middle East and India (estimated at around 2 million tonnes) pushed Singapore prices into a steep contango, supporting storage into January.

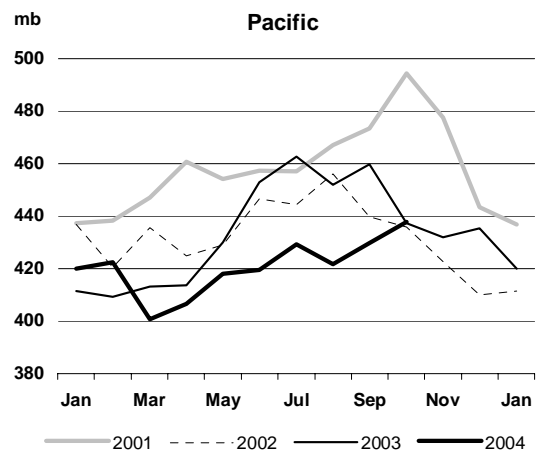
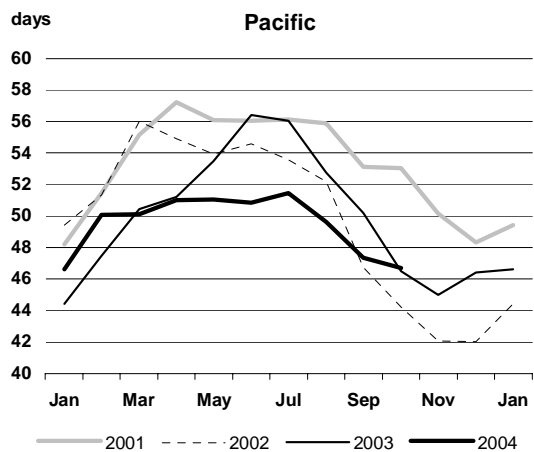
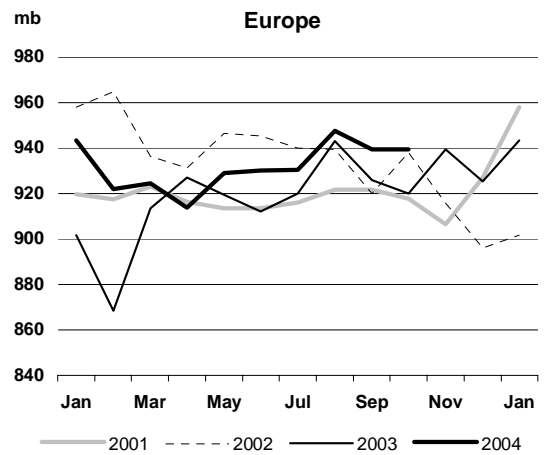
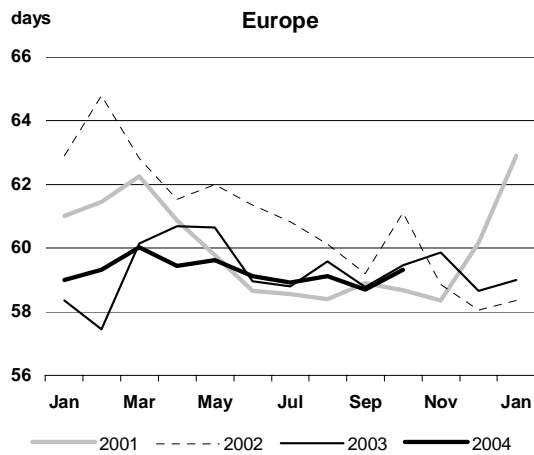
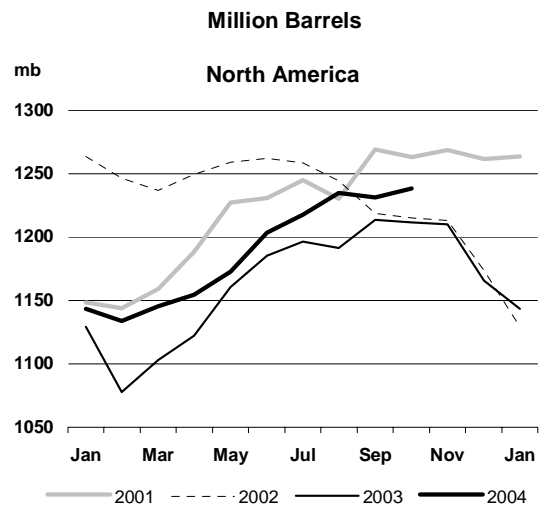
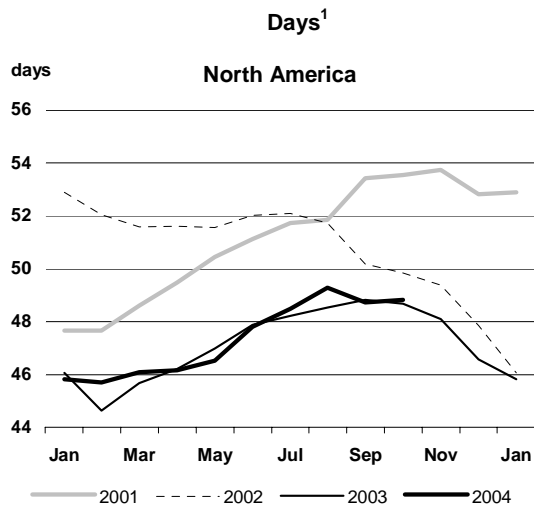
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	4Q03	1Q04	2Q04	3Q04	Aug 04	Sep 04	Oct 04	Latest month vs. Sep 04 Oct 03	
Crude Oil	819	755	654	777	696	727	700	874	1303	429	690
Products & Feedstocks	-35	-96	-18	-64	-150	-118	-124	-12	-107	-94	-111
Gasoil/Diesel	-154	-170	-161	-133	-206	-181	-166	-146	-181	-35	-56
Gasoline	-81	-83	-96	-88	-119	-79	-105	-66	-128	-62	-41
Heavy Fuel Oil	334	320	341	304	289	238	278	228	371	143	56
LPG	-19	-22	-19	-24	-21	-20	-20	-17	-24	-8	-7
Naphtha	6	13	49	38	24	42	44	26	33	7	5
Jet & Kerosene	-65	-99	-77	-99	-50	-92	-77	-106	-110	-3	-35
Other	-57	-55	-54	-62	-67	-26	-78	68	-68	-136	-33
Total	784	659	636	713	546	609	577	862	1196	335	579

Source: International Enterprise, IEA estimates

Regional OECD End-of-Month Industry Stocks (in days of forward demand and millions barrels of total oil)

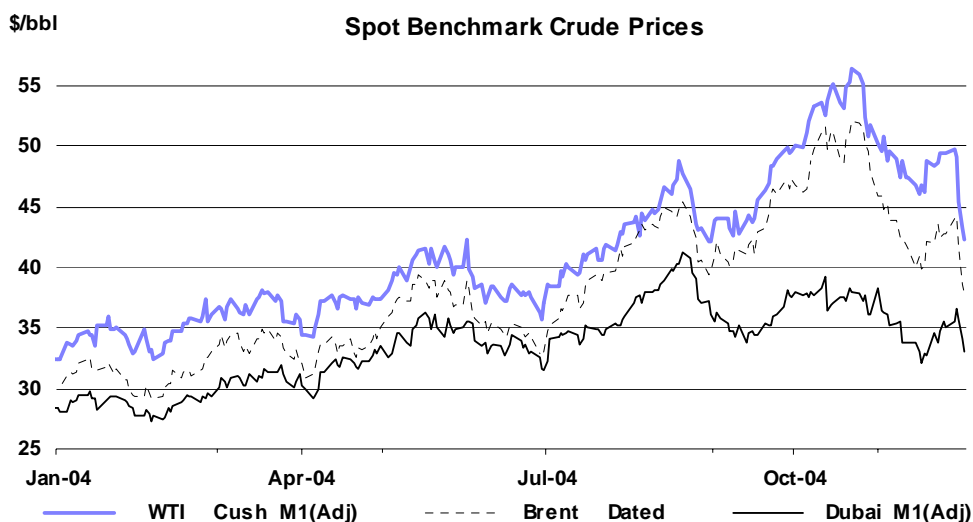


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark NYMEX light crude** and IPE Brent fell by nearly \$10 in early December following a sharp rise in US distillate stocks, mild early winter weather in the northern hemisphere and a large upward revision to US natural gas storage. The severity of the reaction to the US distillate stock figures highlights the supportive nature of tight heating oil stocks on the entire petroleum complex. However, while a more comfortable overall stock position warranted some price adjustment, considerable upside price risks remain from the weather, geopolitical issues, low spare capacity and economic uncertainty. Low US refinery margins risk run cutbacks should crude prices rebound.
- **Light/sweet-heavy/sour crude differentials** narrowed sharply in Europe as Northern European and West African sweets were constrained by high freight rates and reduced demand from Asia. Black Sea loading issues and transportation delays, coupled with Iraqi export problems and increased demand as refiners came out of maintenance buoyed Urals. Distillate-rich Middle Eastern crudes suffered from reduced Asian demand as kerosene stocks in the region rebuilt.
- **European gasoil prices** followed the IPE futures contract lower, but the fall in low sulphur diesel (LSD) in Europe was limited. Refinery problems in northern and southern Europe have constrained production of LSD ahead of the mandatory introduction of the fuel on 1 January 2005. US distillate stocks remain tight, but the recovery in Japanese kerosene stocks and slower Chinese demand has tempered premiums in the Asian region.
- **Freight rates** for mid-sized crude carrying vessels from the Black Sea to the Mediterranean fell by nearly 30% at the end of November in line with a sharp decline in Russian crude loading. Weaker Asian demand for West African crudes has also contributed to a moderating of dirty freight on most major routes, but rates remain high compared with year-ago levels.
- **Refinery margins** dipped sharply in most regions at the end of November/early December as easing product markets impacted margins. US heating oil stocks have improved slightly, but supplies remain vulnerable should current low margins persist or deteriorate. Average sweet crude margins fared well in Europe and Asia, but sour margins were depressed by relative sour crude strength. US Gulf Coast margins underperformed as product prices came under pressure from higher refinery throughput and transportation bottlenecks.
- **OECD refinery throughput** dipped by 340 kb/d in October to 38.3 mb/d from September's 38.63 mb/d as weaker US throughput offset stronger OECD Pacific runs. Provisional European throughput was unchanged during the month, which counters secondary reports of peak refinery maintenance of over 1.2 mb/d during the month.



Crude Oil Prices

Spot Crude Prices and Differentials

Light sweet crudes in Europe and West Africa were partially constrained in November by high freight rates. Light sweet crude demand was also reduced by the return of refineries from maintenance as desulphurisation units gave refiners increased flexibility in the choice of crude inputs. Winter demand requirements also favour heavier crudes. The light/sweet-heavy/sour spread narrowed as a result.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Sep 04	Oct 04	Nov 04	Nov-Oct		Week Commencing:				
				Change	%	01 Nov	08 Nov	15 Nov	22 Nov	29 Nov
Crudes										
Brent Dated	43.25	49.64	42.84	-6.80	-13.7	45.12	42.46	40.62	42.69	41.23
WTI Cushing 1 month (adjusted)	45.90	53.24	48.44	-4.80	-9.0	49.78	48.03	46.93	48.75	45.97
Urals (Mediterranean)	38.16	42.34	38.24	-4.10	-9.7	39.27	37.53	36.14	39.07	37.79
Dubai 1 month (adjusted)	35.55	37.54	34.87	-2.67	-7.1	36.45	34.63	32.72	34.74	34.96
Tapis	48.07	52.99	47.08	-5.90	-11.1	50.08	46.75	44.36	46.81	43.33
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.65	3.60	5.59	2.00		4.66	5.58	6.31	6.07	4.75
Urals (Mediterranean)	-5.10	-7.30	-4.60	2.70		-5.85	-4.93	-4.48	-3.62	-3.44
Dubai	-7.70	-12.10	-7.97	4.13		-8.67	-7.83	-7.90	-7.95	-6.27
Tapis	4.81	3.35	4.24	0.90		4.96	4.29	3.74	4.12	2.10
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.53	0.56	-0.38	-0.94		-0.21	-0.72	-0.71	-0.26	-0.24
WTI Cushing 1mth-2mth (adjusted)	0.16	0.58	-0.09	-0.16		-0.15	-0.12	-0.18	-0.14	-0.15

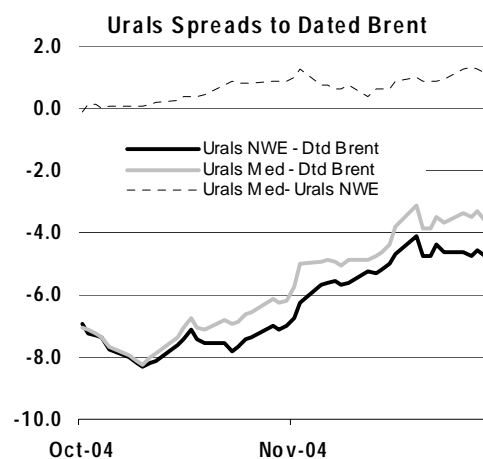
* Weekly data for Brent and WTI 1st month and 2nd month are unadjusted

The relative strength of Urals in Europe was not purely a reflection of improved demand as refiners came out of maintenance. Broader issues were at work, such as reduced flows of Russian crude to the Mediterranean, with Black Sea delays becoming more costly as regional freight rates ran at 125% above year ago levels. In addition, there were weather-related delays and disruptions to Iraqi supplies both from the northern pipeline to Ceyhan and to the southern loading terminals. Further, Russian production growth resumed its tendency to flatten in the winter months. This was in contrast to the sharp growth seen at this stage last year.

Although the arbitrage for dated Brent improved in November, competition from West African sweet crudes in the US intensified as Asian demand dried up, keeping Brent in contango. Brent refinery margins were also unattractive in the US Gulf. The end of refinery maintenance in Europe increased the flexibility of certain refiners to use sour crudes instead of the light sweet crudes that they had been using during partial maintenance to meet new sulphur regulations.

The overhang in West African crudes was most prominent towards the end of November, with traders reporting between 6 mb to 10 mb of the December programme unsold ahead of the start of trading for the January programme. West African shipments to Asia are estimated at around 1.1 mb/d in December, little changed from November levels estimated at 1.2 mb/d and well below the 1.6 mb/d level in October.

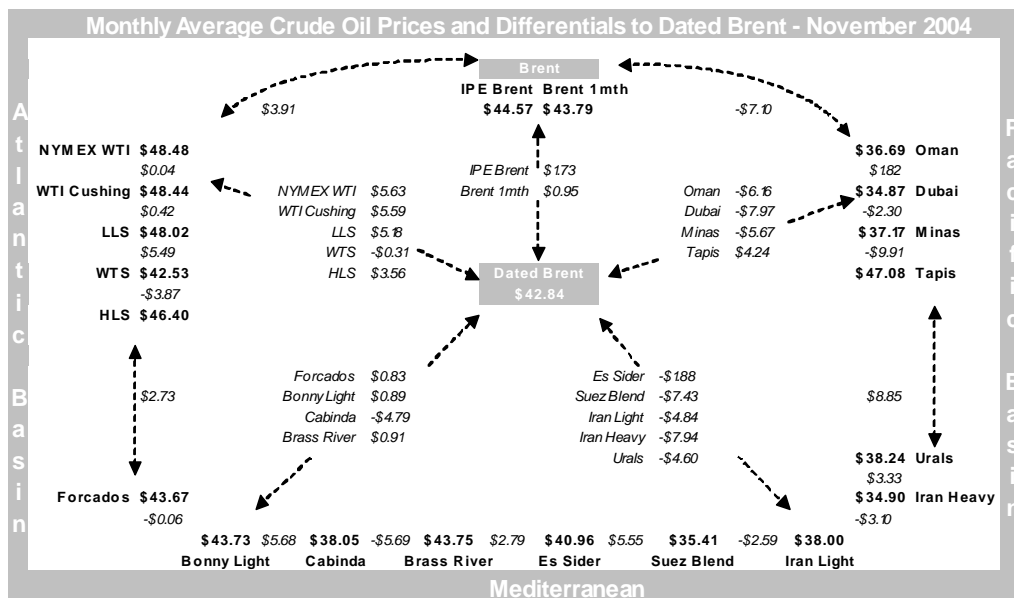
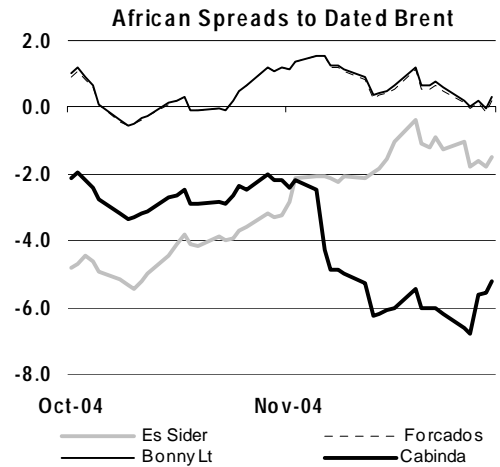
Bonny Light and Forcados saw their \$1.50 mid-month peak premium to dated Brent fall to zero by early December, while Angolan Cabinda fell from \$2 under dated Brent to over \$6 under. Reduced demand from China for Angolan Cabinda has seen the differential to dated Brent collapse, but we note that bargain hunting resumed at the time of writing. Strong competition between the US and Asia for West African crudes has been one of several driving forces behind high prices for light sweet crude this year, and a weakening of Asian demand has contributed to the current price correction.



Much of the surplus West African crude has headed for the US, helping to push LLS to a discount to WTI from premium of up to \$1 that had been in place through most of October. The return of refiners from autumn maintenance has helped to decrease sweet crude demand, particularly in the Gulf Coast, which coupled with the West African supplies helped to halve the discount of West Texas Sour to WTI from over \$9 in mid-October.

But regional heavy crudes have also come under competitive pressure. Mexico made sharp increases in Maya crude discounts to WTI for December and January, which were needed to keep it competitive with Saudi crudes and Canada's sour Lloyd Blend.

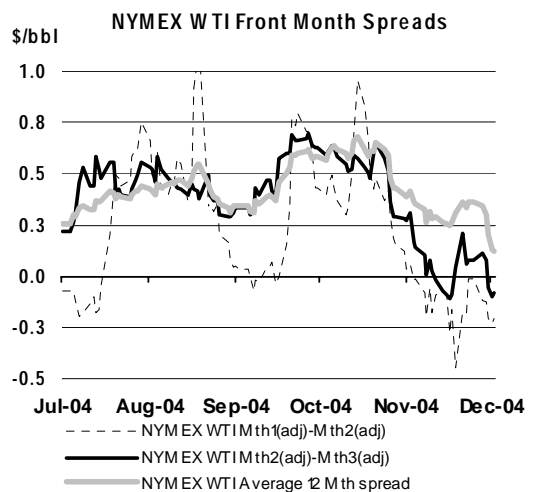
The slowdown in Asian sweet crude demand was highlighted by the weakness of Tapis and Angolan Cabinda crude differentials to Dubai and dated Brent. The recovery of distillate stocks, particularly in Japan, and a dip in demand from China has reduced buying interest for distillate rich medium heavy crudes. Further downward pressure on the Asian market has been generated by the mild weather (with more forecast), which has reduced utility demand for low sulphur fuel oil.



Crude Futures

The flattening of the futures curve for NYMEX WTI and IPE Brent has not been witnessed for a long time. The average backwardation between the first 12 forward months has now narrowed to around 10 cents on WTI and is only marginally positive in Brent. The front month-second month spread has been in contango since early November, the longest continuous period of spot discount since March/April 2001 and the longest winter contango since 1999.

However after a period of exceptional price strength, and recent falling prices, such a shift in market structures can also reflect perceptions of short-term price direction rather than acting as pure barometer of market supply. The second/third month spread is often a better barometer of perceptions of underlying market conditions. It removes contract rollover issues and



distortions due to “trading vacuums” that can occur during periods of spot month price volatility. The M2-M3 spread was predominantly in contango between September 2001 and February 2002, but during the recent slump in prices has only been in contango intermittently.

Delivered Crude Prices in September

Delivered prices for crude oil imported into IEA countries continued to rise in September, following the rise in the wholesale crude market. IEA delivered crude prices rose 92 cents to \$40.72/bbl, with a rise of just 15 cents in IEA Europe tempering gains of 81 cents/bbl in North America and \$2.43 in IEA Pacific. Delivered crude prices in September were on average 50% higher than in September 2003, and the average for the first 9 months of the year was 34.80, \$6.47 above year ago levels.

Product Prices

Spot Product Prices

Gasoline and middle distillates generally underperformed crude in recent weeks, contributing to the fall in crude prices in early December. While sweet crude benchmarks Brent and WTI rebounded in mid-November from their end-October sell off, product prices were reluctant to follow.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

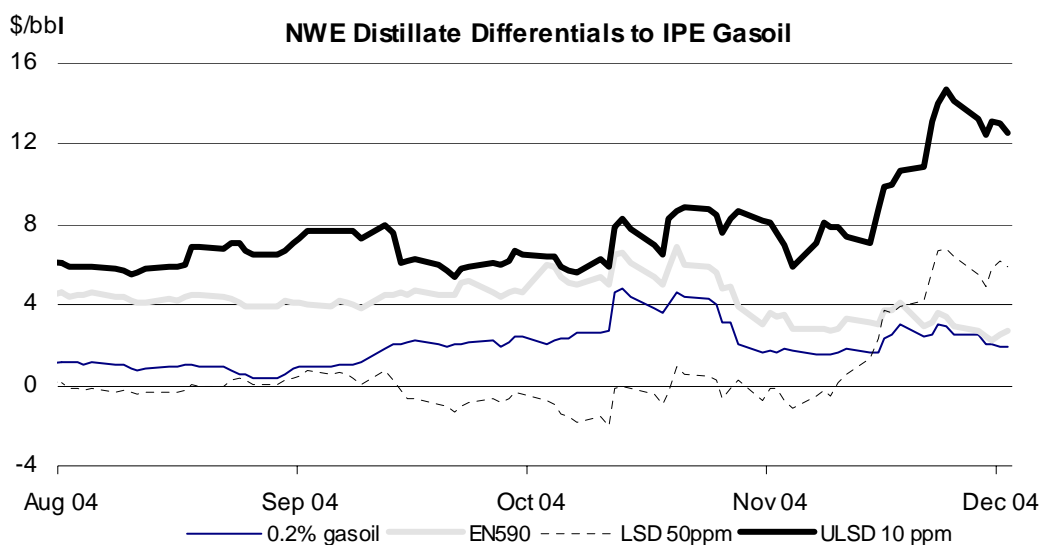
	Sep	Oct	Nov	Nov-Oct		Week Commencing:					Sep	Oct	Nov
				Change	%	01 Nov	08 Nov	15 Nov	22 Nov	29 Nov			
Rotterdam, Barges FOB													
	<i>Differential to Brent</i>												
Premium Unleaded (Cargo)	51.68	56.72	51.53	-5.19	-9.2	53.07	50.56	49.77	52.53	48.60	8.43	7.08	8.69
Regular Unleaded	50.96	56.06	50.87	-5.19	-9.3	52.42	49.91	49.11	51.84	47.88	7.70	6.42	8.03
Naphtha	46.18	51.50	47.54	-3.96	-7.7	48.00	47.19	45.96	48.41	46.04	2.93	1.86	4.70
Jet/Kerosene	58.65	66.09	60.47	-5.62	-8.5	60.60	59.99	59.43	61.69	57.63	15.39	16.45	17.63
Gasoil	53.86	64.06	57.79	-6.27	-9.8	56.65	55.84	57.16	60.89	55.01	10.61	14.41	14.95
Fuel Oil 1.0%S	24.33	29.22	26.22	-3.00	-10.3	28.00	25.04	24.98	27.06	25.13	-18.93	-20.42	-16.62
Fuel Oil 3.5%	25.14	26.98	22.41	-4.57	-16.9	25.04	22.57	20.34	21.96	20.69	-18.11	-22.66	-20.44
Mediterranean – Basis Italy, Cargoes FOB													
	<i>Differential to Urals</i>												
Premium Leaded (0.15 g/l)	51.45	56.13	50.29	-5.84	-10.4	51.28	49.14	49.03	51.44	46.90	13.30	13.79	12.05
Premium Unleaded	50.74	55.41	49.57	-5.84	-10.5	50.56	48.42	48.31	50.72	46.18	12.58	13.07	11.33
Naphtha	45.59	50.41	45.37	-5.04	-10.0	45.74	45.14	43.87	46.19	43.50	7.43	8.07	7.13
Jet/Kerosene	56.57	63.15	57.48	-5.67	-9.0	58.00	57.29	56.74	58.13	53.26	18.42	20.81	19.25
Gasoil	53.96	61.74	57.36	-4.38	-7.1	56.70	55.84	56.70	59.54	54.81	15.81	19.40	19.12
Fuel Oil 1.0%S	26.68	30.18	27.78	-2.40	-8.0	29.24	26.57	26.43	28.85	26.34	-11.48	-12.16	-10.46
Fuel Oil 3.5%S	23.78	25.23	19.45	-5.78	-22.9	23.08	20.27	17.83	17.32	17.24	-14.37	-17.11	-18.79
NY Harbour, Barges													
	<i>Differential to WTI</i>												
Super Unleaded *	58.10	60.10	54.70	-5.39	-9.0	55.85	54.07	53.79	55.42	51.06	12.20	6.86	6.27
Regular Unleaded *	53.01	57.88	53.33	-4.55	-7.9	53.90	52.81	52.60	54.31	49.70	7.11	4.64	4.89
Jet/Kerosene	58.37	66.13	59.23	-6.90	-10.4	59.12	57.93	59.22	60.97	56.19	12.47	12.89	10.79
No.2 Heating Oil	52.80	62.40	58.18	-4.23	-6.8	57.89	56.81	58.29	60.13	55.08	6.90	9.16	9.74
Fuel Oil 1.0%S (Cargo)	27.90	33.17	28.78	-4.39	-13.2	30.33	27.50	28.40	29.31	25.38	-18.00	-20.07	-19.65
Fuel Oil 3.0%S (Cargo)	26.11	30.92	24.31	-6.61	-21.4	28.30	23.95	22.50	22.63	20.63	-19.79	-22.32	-24.13
Singapore, Cargoes													
	<i>Differential to Dubai</i>												
Premium Unleaded 95	49.06	54.73	52.45	-2.28	-4.2	53.27	52.17	50.69	53.17	50.72	13.51	17.18	17.58
Naphtha	43.95	48.81	47.46	-1.35	-2.8	47.27	46.62	46.04	48.78	47.54	8.40	11.27	12.59
Jet/Kerosene	55.30	61.25	57.64	-3.62	-5.9	58.98	57.76	56.19	57.61	54.53	19.75	23.71	22.77
Gasoil	52.83	56.94	55.22	-1.71	-3.0	54.95	54.91	54.19	56.47	52.96	17.28	19.39	20.35
LSWR (0.3%S)	39.75	42.90	34.59	-8.32	-19.4	40.73	36.29	31.20	31.50	28.26	4.20	5.36	-0.28
HSFO (3.5%S 180cst)	28.70	32.05	30.53	-1.52	-4.7	31.68	30.34	28.79	30.88	28.91	-6.85	-5.50	-4.34
HSFO 4%S	28.49	31.39	29.34	-2.06	-6.6	31.00	29.46	27.47	29.24	27.06	-7.06	-6.15	-5.53

* assessments for NYH are for Max 0.3% MTBE

In Northwest Europe, the gasoil differential to dated Brent fell from nearly \$20/bbl in mid November to \$12/bbl, far outpacing a \$5/bbl fall in jet fuel differentials and a near \$4/bbl fall in the gasoline spread. However, the fall in the gasoil price spread was not mirrored by 50 ppm low sulphur diesel (LSD) and ultra low sulphur diesel (ULSD) which saw their differential to IPE gasoil gain by around \$3/bbl over the period. A similar trend was seen in heating oil in New York Harbour and Singapore, converging differentials between the regions and removing the opportunity for arbitrage trade.

Inland heating oil demand in Europe has been relatively weak. A brief buying spurt by German consumers was noted as prices fell in early December, but generally, activity has been lacklustre. Partial tank refilling, encouraged by mild temperatures at the start of the heating season have resulted in much lower-than-normal demand. October German inland demand data shows heating oil deliveries down nearly 16% year-on-year. However, demand for LSD ahead of the fuel specification change on 1 January 2005 in NWE and good demand into the eastern Mediterranean continue to provide support to the distillate market.

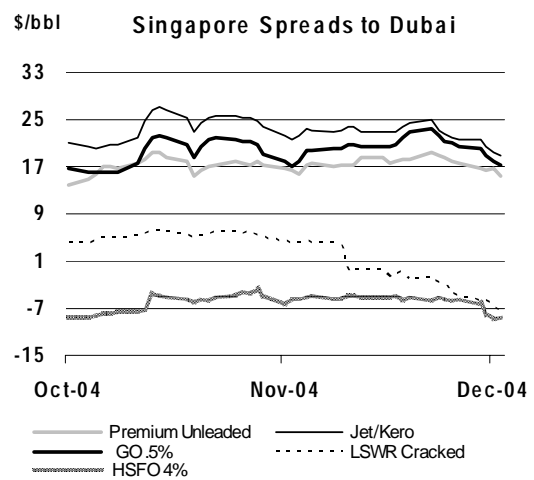
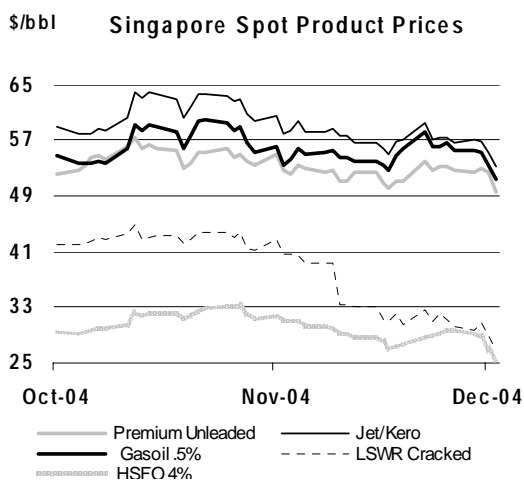
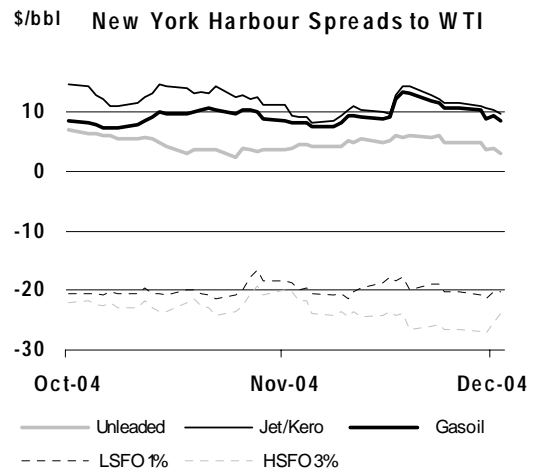
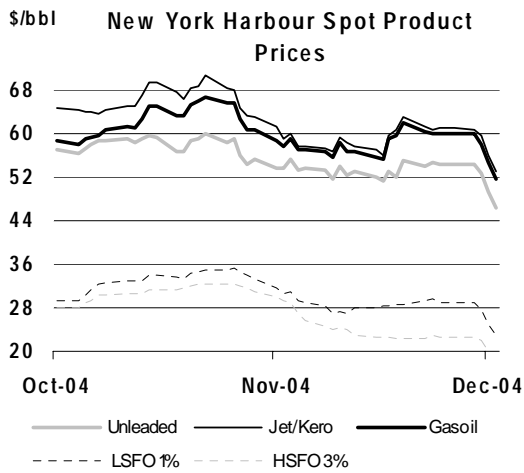
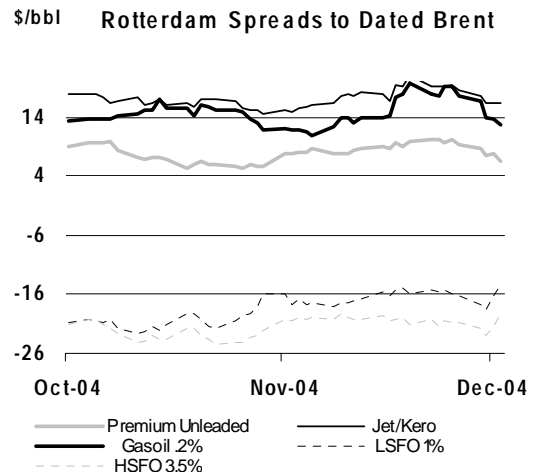
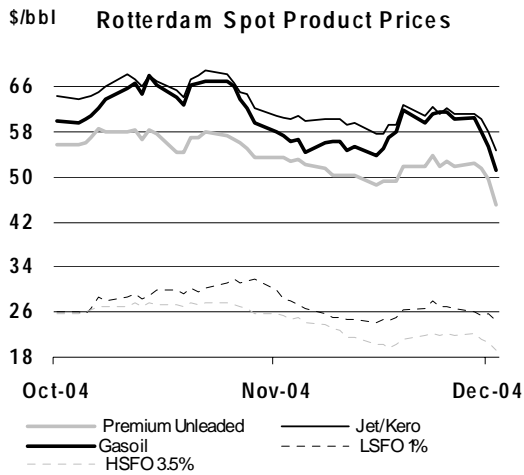
In the US, recent preliminary data reports distillate demand running at 3.8% over a year ago. While in Japan, weekly data showed kerosene stocks continuing to recover from an early season deficit of 1 mkl from a year ago. Kerosene stocks rose to 4.76 mkl in the week ending 27 November, compared with 5.08 mkl at the end of November 2003. This, together with lower Chinese imports and an overhang of South Korean spot distillate cargoes led to further price pressure towards the end of November. China is expected to import 166,000 tonnes of diesel in December, a third of November's 450,000 tonnes, some of which was believed to be slated for line fill for a new 200 kb/d product pipeline between Maoming and the southwest.



High freight rates contributed to the diversion of Middle Eastern jet/kerosene supplies from Asia to Europe, but strong premiums were available in Northwest Europe over Singapore in the second half of November. High premiums in Northwest Europe also attracted material from Venezuela and the US Gulf Coast, with nearly 500,000 tonnes expected to arrive in December. High refinery throughput and capacity constraints on the pipeline to feed the tighter East Coast market have resulted in steep discounts in jet/kerosene in the US Gulf Coast. However, these were tightened slightly by airline bargain hunting following the sharp crude losses in early December.

The news that China Aviation Oil, which held a virtual supply monopoly for jet fuel into China, was seeking protection from creditors did not appear to have a significant impact on the Singapore physical product market. While the company was believed to have secured over 300,000 tonnes for December delivery, the Chinese authorities were expected to move swiftly to ensure adequate supplies for the domestic markets. The regrade (the premium between jet/kerosene and gasoil) remained relatively steady at around \$2/bbl.

US gasoline differential losses to WTI at the end of November were more moderate than those seen in jet and heating oil. But, gasoline comprises a much larger share of the refined barrel in the US than in other regions, dragging down refining margins. US gasoline demand remains strong, up 1.3% year-on-year in the latest four weeks (but was negative in October). But with stocks moving to the upper end of their recent historical seasonal range, it is unsurprising that prices continue to favour distillate markets. Unless first quarter maintenance is particularly heavy, or refinery margins weaken to unprofitable levels, the current level of gasoline stocks should temper gasoline premiums to WTI this spring. This could help avoid a repeat of the sharp rally in gasoline prices that contributed to higher crude prices in the second quarter of 2004.

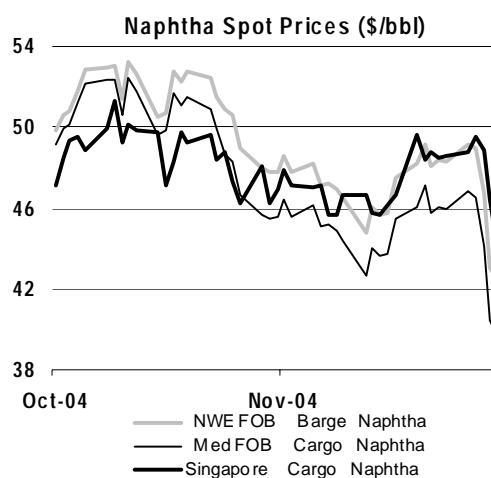


In Europe, high freight rates limited Mediterranean gasoline exports to the US, which coupled with lean demand and the return of refineries from maintenance led to the backing up of material in the region. Northwest Europe was however tighter, with a Scandinavian refiner reportedly buying up to 300,000 tonnes on the spot market to cover a paper position.

In Asia, the reported reduction in planned Chinese gasoline exports for December to 310,000 tonnes will mark the lowest export level in 2004. This compares with 400,000 tonnes in November. However, it should be noted that December 2003 exports were actually lower at 290,000 tonnes. This seasonal reduction in exports would suggest that there is some holding back of material ahead of possible domestic price rises and the Chinese New Year holidays in February. Slightly offsetting the lower trend in Chinese gasoline exports has been an increase in exports from Taiwan. Indonesia is also seen well covered for December.

The Asian naphtha market however highlights that although sentiment might be temporarily easing, underlying growth appears firm. Demand for naphtha from the petrochemical sector was reported to be very strong, opening up an arbitrage between the Mediterranean and Singapore. Refinery maintenance and restart problems however constrained naphtha supplies in Northwest Europe.

The combination of the end to European refinery maintenance, the long term switch to natural gas, more intensive use of marginal hydroskimming refineries and mild weather weighed on fuel oil prices at the end of November. Such is the implicit need to export surplus fuel oil from the FSU and Europe that the spread between NWE and Singapore is generally dominated by Asian supply and demand conditions and freight. However, in October and November, European refinery maintenance helped cracks to hold up against dated Brent, and firm sharply in early December as crude prices slumped. Also, an early-winter switch to railway transport from barges to major ports in the Baltic and Black sea has dried up supplies a month earlier than normal. Cooler weather in mainland Europe in early December also increased utility demand.



However, regardless of this mild firming of fuel oil prices, there remains a huge price chasm with the lighter end of the barrel. The price spread between gasoil and high sulphur fuel oil tipped \$40 in mid-October and mid-November. Despite the recovery in fuel oil prices and weakening distillate markets, the spread remains at \$31/bbl, **three times higher** than levels prevailing in 2003. This, more than any other market barometer, highlights the need for upgrading capacity in the region.

Mild Asian weather and the return of Japanese nuclear facilities have contributed to a sharp decline in low sulphur waxy residue demand in Asia, ending the unusually high premium to European and US low sulphur material.

The growing surplus of 380 centistoke (very viscous) fuel oil over the less viscous 180 centistoke market has led to a widening of the spread between the two grades to record levels of over \$22.50 per tonne. Burgeoning Singapore stocks and relentless arbitrage flows, despite high freight rates, have led to a contango for December/January swaps. Traders say that the lack of movement in Singapore stocks suggests they are high viscosity and that it is uneconomic to blend them with lighter products to get 180 centistoke material. January high sulphur fuel oil imports into the region from India, Middle East, South America and Europe are believed to total nearly 2 mt.

Product Futures

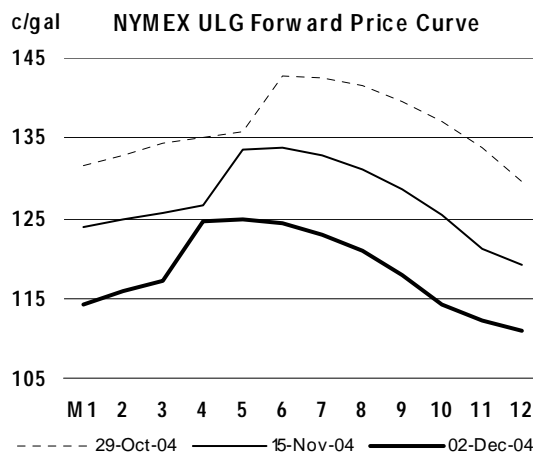
At this time of year it is important not to misread shifts in product spreads. The flattening of front month-second month contango in NYMEX heating oil futures (spot discount to forward prices), is indicative of the seasonality of the contract, rather than a tightening of the heating oil market. Heating oil demand is seasonal and prices are cheaper in the summer and more expensive in mid-winter. As in any oscillation there has to be a seasonal peak and trough.

Although the winter peak in heating oil prices can fluctuate depending on weather and inventory conditions, it is not uncommon for the price peak to be seen in January. Therefore as the December

contract expires, the front month-second month spread often switches from contango to backwardation. It is a sign of pending (normal) seasonal price weakness, rather than an indication of tight market conditions that are normally associated with a backwardated market.

In contrast, the deepening contango of the first through to the fourth month gasoline contracts is indicative of building inventories. While it is normal for a contango structure to be in place at this time of year, and 11 cent per gallon contango for the January to April period is pretty high. Much of that is accounted for by the April switch to (higher priced) summer fuel specifications.

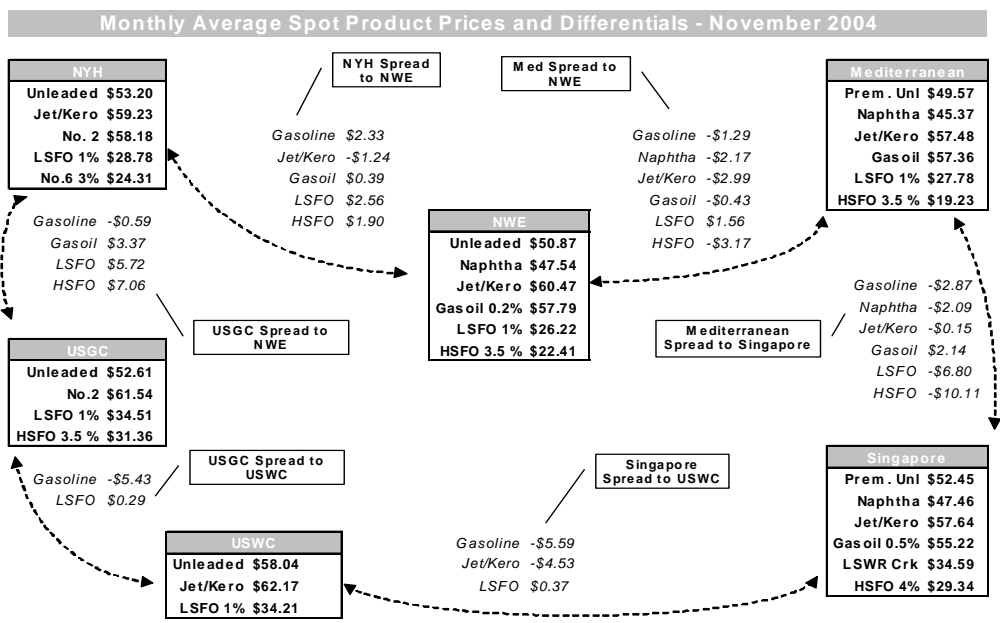
The seasonal structure of fuel oil swaps are similar to that of gasoil and heating oil, but the scale of the contango needs to be monitored. Theoretically, the cost of contango is limited by the cost of finance, storage and insurance for the product. Typically, the first is a function of interest rates and credit risk, while the latter two are often regarded as fixed. However, in the oil products markets there can be times when independent storage for certain product types gets close to full, in which case the marginal cost of storage is the cost of freight – thereby creating heavy pressure on the front month to either pay for chartering a tanker as floating storage, or opening the arbitrage to an area of need.



End-User Product Prices in November

Retail prices for gasoline showed a broadly lower trend, with higher prices seen only in the UK and Japan. However, much of the decline in Europe appeared to be related to currency factors, with European prices all rising on a dollar related comparison. Diesel price moves were similarly currency affected, with rises across the board in currency terms, but dollar weakness allowing a slight drop in retail prices for some eurozone countries. Heating oil prices followed a similar pattern.

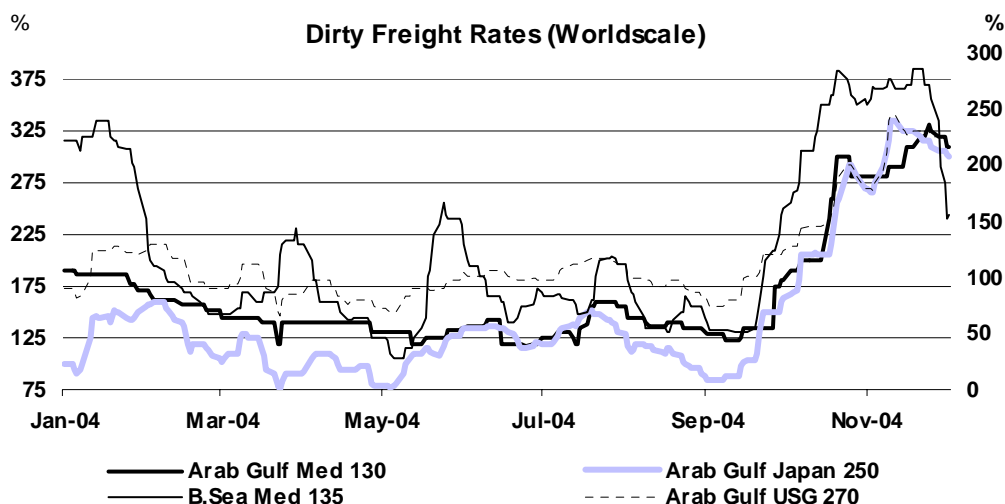
However to put this in perspective, retail prices for petroleum products remain between 32% and 62% higher than year ago levels on an ex-tax dollar comparison. Heating oil prices in Europe are 50% higher than at the same time in 2003. Only in fuel oil, which has suffered from broad oversupply, are price rises in single digits.



Freight

Dirty freight rates continued near record-high levels in November, before tailing off towards the end of the month. The causes of the surge in freight rates from year ago levels are manifold. High OPEC output, coupled with strong global demand, increased Asian crude imports from West African, congestion in the Turkish Straits, and high fuel oil exports to Asia have all contributed to tanker market strength.

While the easing of freight rates, particularly for mid-sized Aframax tankers at the end of November appears dramatic, it has to be set in the context that prices remain twice as high as a year ago. The causes of the easing appear to be related to an easing of congestion in the Black Sea from 8-10 days to 4-5 days, helped by the shifting of Russian exports to the Baltic. Exports from West Africa to Asia have also eased, and Asian customers appear to be more selective about their purchases.



Put in the context of falling oil prices, the current dip in freight rates could also be related to traders pulling back from the market in hope of lower prices. As we saw in late August/early September, this sort of retrenchment can result in a rapid rebound.

Clean freight rates lagged the rise in dirty rates in October, but rallied sharply in early November. The return of refineries in Europe and the US from seasonal maintenance increased inter-regional product flows. However, with US gasoline stocks moving to the top end of their recent range and heating fuel stocks rebuilding in Asia, Europe and the US (albeit from low levels), product movement might be reduced until the 1Q US maintenance programme gets underway.

Refining Margins

Weakening product prices led to a deterioration in refining margins in Europe and the US Gulf Coast in early December. However, for November as a whole, the trend in margins was mixed, with the recovery in the light/sweet-heavy/sour spread resulting in sweet crude margins for Brent and WTI outperforming sour crudes. Overall, with the exception of the US Gulf Coast, refining margins remained attractive in most regions in November.

In Northwest Europe, Brent hydroskimming margins outperformed cracking margins in November as refinery maintenance helped to tighten the fuel oil cracks. Tight distillate markets continued to support net product worth, and cracking margins persisted at over \$4/bbl even after the decline in margins in early December. In the Mediterranean, the strong performance of Urals relative to dated Brent resulted in underperforming margins for both cracking and hydroskimming. Urals cracking margins have been high this year, reflecting the inability of sufficient refining capacity to cope with the heavy/sour crude and its ample availability. Unsurprisingly, during peak refinery maintenance in October, the cracking refinery margin derived from the two crudes widened to \$7.88, but has now fallen back by \$4.

Key Refining Margins in Major Refining Centres

(\$/bbl)

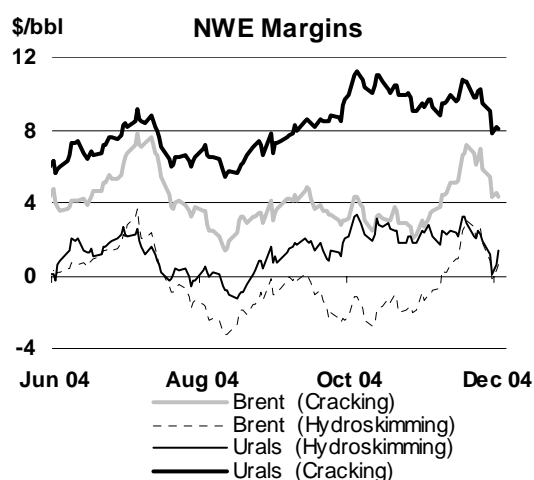
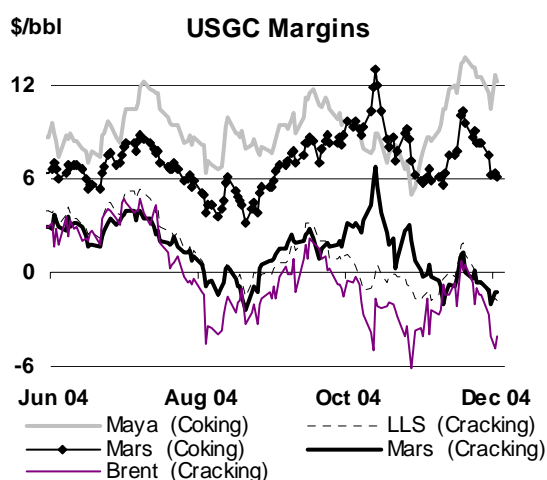
	Monthly Average			Change		Week Ending:				
	Sep 04	Oct 04	Nov 04	Nov-Oct 04	05 Nov	12 Nov	19 Nov	26 Nov	03 Dec	
NW Europe										
Brent (Cracking)	3.81	3.16	5.04	1.88	3.60	5.15	7.16	5.88	4.35	
Brent (Hydroskimming)	-1.05	-1.81	0.79	2.60	-0.80	0.61	2.98	1.82	0.59	
Mediterranean										
Urals (Cracking)	7.60	8.75	8.00	-0.74	7.57	8.19	9.11	7.32	5.84	
Urals (Hydroskimming)	0.62	0.99	0.55	-0.44	0.50	1.06	0.93	-0.79	-0.71	
US Gulf Coast										
Brent (Cracking)	0.18	-2.64	-1.79	0.85	-2.40	-1.40	0.47	-1.45	-4.43	
LLS (Cracking)	1.58	-0.36	-0.44	-0.08	-1.83	0.00	1.18	-0.47	-1.80	
Maya (Coking)	10.08	7.84	10.95	3.11	8.39	11.69	13.73	12.47	11.83	
US West Coast										
ANS (Cracking)	5.22	6.82	5.51	-1.30	6.70	6.13	4.92	3.91	4.69	
Oman (Cracking)	7.14	9.58	3.20	-6.37	5.92	2.95	4.78	2.07	-1.61	
Kern (Coking)	15.83	16.55	13.44	-3.12	14.31	15.02	17.45	13.28	10.39	
Singapore										
Tapis (Hydroskimming)	-3.05	-3.69	-1.22	2.47	-1.16	-0.04	-0.63	-1.46	1.05	
Dubai (Hydrocracking)	6.79	8.22	8.00	-0.21	8.33	8.23	9.20	7.56	5.48	
Tapis (Hydrocracking)	-1.49	-1.69	1.78	3.48	1.18	3.19	2.87	2.06	4.79	
China*										
Cabinda (Hydroskimming)	1.05	-3.28	-0.79	2.49	-0.86	-0.78	-1.87	-1.79	-1.36	
Daqing (Hydrocracking)	0.68	0.15	7.19	7.04	14.24	10.21	6.01	3.10	2.82	

For the purposes of this Report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability for a given refining centre. No attempt is made to model or otherwise comment upon the relative economics of specific refineries running individual crude slates and producing custom product sales, nor are these calculations intended to infer the marginal values of crudes for pricing purposes.

* The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations. A full list of refining margins and gross product worth can be found on table 15 on www.oilmarketreport.org.

Sources: IEA, Purvin & Gertz Inc.

Much of the extensive maintenance programme in Europe during October and November was directed towards meeting compulsory switch to maximum 50 ppm sulphur requirements from 1 January 2005. This should eventually increase the flexibility of some refineries to process more sour crudes, which could further depress the premium of Urals margins. However, at the present level of \$3.70, it remains much wider than the \$1.55 average seen throughout 2003, and even above the first half 2004 average of \$2.36



US coking margins remain attractive, but the sharp fall in Gulf Coast cracking margins remains a concern. While the fall in Brent cracking margins to uneconomic levels will merely result in an adjustment in arbitrage economics, LLS and Mars margins are also low. While they are not yet low enough to encourage significant throughput cuts, they may prevent refiners from running flat out. Cracking margins on the US Gulf Coast have been low for two months now, and runs could be impacted if crude prices rally independently.

Poor refining economics for regional and West African sweets in October have been reflected in the under performance of Tapis and Cabinda crudes to dated Brent, with an even greater differential to regional benchmark Dubai. Refining margins for the two crudes therefore improved significantly in November, and Tapis margins even turned positive for hydroskimmers in early December. Sweet cracking margins have however moved to attractive levels for sweet crudes in both China and Singapore. Sour crude hydrocracking refiners once more reaped strong returns in November from running distillate rich crudes such as Dubai, but the wide margin differential over \$6/bbl in November between Dubai and Tapis hydrocracking, narrowed to less than 70 cents in early December.

Refinery Throughput

OECD refinery throughput dipped in October to 38.29 mb/d, down 340 kb/d from September and 2.45 mb/d from August levels. Falling US and European throughput was only partly offset by a recovery in OECD Pacific runs. European throughput dipped further as maintenance extended from Septembers levels, and provisional data shows that relatively high levels of maintenance persisted in November.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Oct 03		Utilisation rate ²		
	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	mb/d	%	Oct 04	Oct 03
OECD North America										
US ³	15.96	16.24	16.14	16.14	14.98	14.84	-0.50	-3.3	87.9	91.6
Canada	1.65	1.71	1.75	1.91	1.90	1.72	-0.03	-1.6	86.3	87.9
Mexico	1.30	1.29	1.30	1.27	1.23	1.11	-0.10	-8.2	66.2	72.0
Total	18.92	19.24	19.18	19.32	18.11	17.67	-0.63	-3.4	85.9	89.6
OECD Europe										
France	1.63	1.64	1.81	1.78	1.77	1.67	-0.19	-10.3	85.5	97.8
Germany	2.28	2.25	2.39	2.36	2.29	2.39	0.06	2.4	94.6	92.4
Italy	1.83	1.86	1.84	1.95	1.93	1.80	-0.02	-1.3	78.0	79.5
Netherlands	1.13	1.13	1.11	1.08	0.93	0.82	-0.13	-13.4	66.9	78.2
Spain	1.24	1.22	1.21	1.23	1.17	1.18	0.04	3.3	92.4	86.1
UK	1.68	1.60	1.76	1.73	1.66	1.74	0.32	22.2	95.9	79.7
Other OECD Europe	4.09	4.16	4.14	4.13	4.09	4.13	0.13	3.1	88.3	85.8
Total	13.89	13.87	14.26	14.25	13.84	13.73	0.19	1.4	87.0	86.1
OECD Pacific										
Japan	3.36	3.36	3.88	4.24	3.73	3.81	-0.09	-2.4	81.1	82.0
Korea	2.18	2.10	1.92	2.18	2.20	2.35	0.11	5.1	92.3	87.2
Other OECD Pacific	0.66	0.70	0.79	0.74	0.74	0.73	0.00	0.1	85.1	76.6
Total	6.20	6.16	6.60	7.17	6.68	6.89	0.02	0.3	85.0	83.0
OECD Total	39.00	39.26	40.04	40.74	38.63	38.29	-0.41	-1.1	86.2	87.1

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

European refinery throughput fell 100 kb/d from September levels to 13.73 mb/d as heavy autumn maintenance deepened. Initial reports suggested that maintenance would peak in October, but recent reports suggest that average November levels should only see a slight dip in workload. Coupled with some unscheduled work and strike action at one northern European plant, refinery throughput is expected to remain steady in November before rising sharply in December.

However, it must be noted that work to comply with reduced sulphur regulations in Europe is difficult to track, and does not necessarily mean the shutdown of the entire refinery. The sharp rise in Brent prices in October and November is redolent of refineries buying sweet crude to meet sulphur targets because of installation or work on hydrotreating plants.

In North America throughput dropped by 440 kb/d, with reductions spread evenly across the US, Canada and Mexico. Preliminary data suggests that throughput in November rose 720 kb/d as refiners ended maintenance and cranked up throughput to meet heating oil requirements. Runs by early December had still not reached August peaks of over 16 mb/d as high gasoline stocks and relatively low cracking refinery margins removed the incentive to maximise runs.

In Asia, October throughput rose in line with normal seasonal trends as Japanese refiners recovered from September's disruptions and regional refiners increased throughput to meet pending heating requirements. Provisional data suggests that Japanese refinery throughput should have jumped to over 4 mb/d in November and if throughput is maintained at current levels, could rise a further 200 kb/d in December. This would be roughly in line with seasonal norms, but it has to be noted that mild weather has dampened kerosene consumption in the region, allowing stocks to catch up with year ago levels.

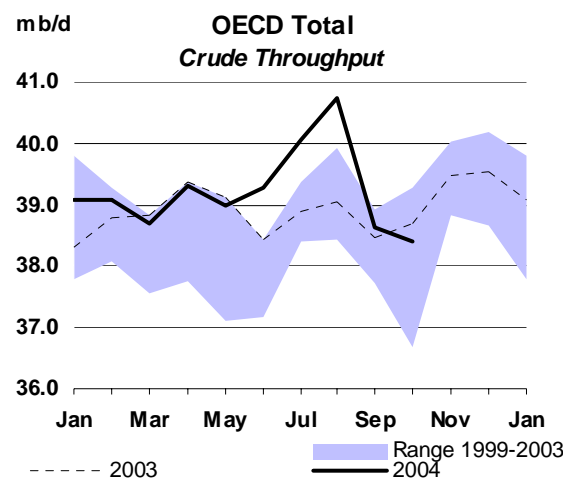
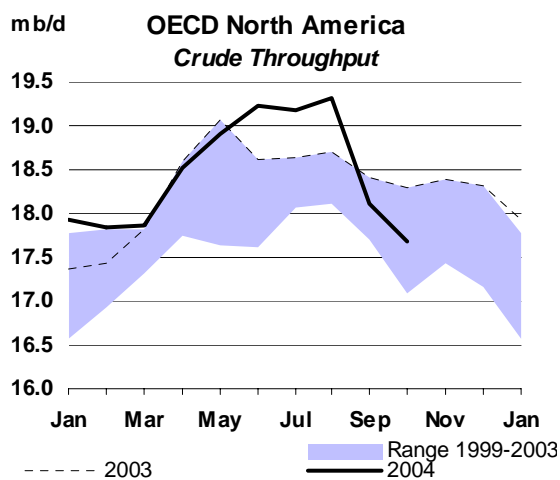


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.2	24.8	24.9	24.6	25.0	24.9	25.2	25.3	25.1	25.2	25.0	25.4	25.5	25.3
Europe ⁸	15.3	15.3	15.4	15.2	15.5	15.8	15.5	15.8	15.4	15.7	16.0	15.7	15.8	15.5	15.9	16.0	15.8
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.3	9.1	8.7	9.3	7.9	8.1	9.0	8.6
Total OECD	48.0	48.1	49.7	47.5	48.3	49.8	48.8	50.2	48.2	49.2	50.3	49.5	50.4	48.4	49.4	50.6	49.7
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.5	3.9	3.6	3.5	3.7	3.7	3.9	3.7	3.8	3.7	3.8	4.0	3.8
Europe ⁸	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.2	6.3	6.3	6.5	6.7	6.7	6.9	6.7
Other Asia	7.6	7.9	8.0	7.9	8.0	8.5	8.1	8.5	8.6	8.4	8.8	8.6	8.7	8.7	8.6	9.0	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.9	5.0	5.0	4.9	4.8	5.0	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	5.9	5.9	6.1	6.1	6.2	6.2	6.1
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.3	29.9	30.6	29.7	31.1	32.3	30.9	32.2	33.0	32.7	33.6	32.9	33.6	33.8	33.9	34.9	34.1
Total Demand¹	77.3	77.9	80.3	77.3	79.3	82.1	79.7	82.4	81.2	81.9	84.0	82.4	84.0	82.3	83.3	85.5	83.7
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.4	14.6	14.6	15.0	14.8	14.8	14.8	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	5.7	6.0	6.1	6.1	5.8	5.7	5.9	5.9
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.8	21.5	20.7	21.2	21.3	21.6	21.2	21.0	21.3	21.3
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.4	11.4	11.2	11.5	11.6	11.9	12.1	11.8
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	4.0	4.0	3.9	4.0	4.1	4.0	4.0	4.0	4.1	4.1	4.0	4.3	4.3	4.4	4.4	4.3
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8
Africa	2.8	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.3	3.5	3.5	3.4	3.6	3.7	3.7	3.8	3.7
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.3	25.6	26.4	26.7	27.2	27.5	26.9	27.7	27.9	28.2	28.4	28.1
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.9	49.0	50.0	50.0	49.7	50.6	50.1	51.2	51.0	51.1	51.6	51.2
OPEC																	
Crude ³	27.0	25.1	26.7	26.1	26.6	27.6	26.8	27.9	28.1	29.2							
NGLs	3.4	3.7	3.5	3.9	4.0	4.2	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.0	30.6	31.8	30.7	32.2	32.3	33.5							
Total Supply⁴	77.2	76.9	79.1	78.3	79.4	81.6	79.6	82.2	82.3	83.2							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.6	0.9	0.5							
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1	0.1							
Total	0.3	-0.3	-0.5	1.4	0.7	-0.5	0.3	-0.5	1.0	0.6							
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1	0.2							
Miscellaneous to balance ⁵	-0.4	-0.7	-1.0	-0.4	-0.7	-0.2	-0.6	0.5	0.3	0.5							
Total Stock Ch. & Misc	-0.1	-1.0	-1.2	1.1	0.0	-0.4	-0.1	-0.2	1.1	1.3							
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.8	25.1	26.6	28.1	26.9	28.2	26.9	27.9	29.0	28.0	28.1	26.6	27.4	29.0	27.8
Total Demand ex. FSU	73.6	74.5	76.5	74.1	75.9	78.2	76.2	79.0	77.5	78.1	80.0	78.7	80.1	78.6	79.5	81.4	79.9
Total demand exc. FSU (% ch) ⁷	0.0	1.1	0.0	0.0	0.0	0.0	2.3	3.2	4.7	3.0	2.3	3.3	1.5	1.4	1.7	1.8	1.6

¹ Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning,

oil from non-conventional sources and other sources of supply

² Net volumetric gains and losses in the refining process (excludes net gain/loss in former USSR, China and non-OECD Europe) and marine transportation losses

³ Upgraded Venezuelan Orinoco extra-heavy production is classified as non-conventional crude.

⁴ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁵ Includes changes in non-reported stocks in OECD and non-OECD areas

⁶ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

⁷ Year on year % growth in global oil demand excluding FSU

⁸ As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-	-	-0.1	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
OPEC																	
Crude	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	0.1	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-	-	-
Miscellaneous to balance	-	0.1	-	-	-0.1	-	-	-	-0.1	-0.2	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	0.1	-	-	-0.1	-	-	-	-	-	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	0.1	-	0.1	0.1
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-

When submitting their monthly oil statistics, OECD Member countries periodically update data for prior periods. Similar updates to non-OECD data can occur.

As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.15	24.76	24.86	24.58	25.03	24.85	25.19	25.26	25.08	25.21	24.99	25.42	25.53	25.29
Europe	15.32	15.43	15.19	15.47	15.75	15.46	15.78	15.40	15.73	16.01	15.73	15.83	15.52	15.85	16.03	15.81
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	8.00	8.25	9.07	8.68	9.34	7.92	8.08	9.03	8.59
Total OECD	48.06	49.71	47.54	48.26	49.77	48.82	50.18	48.25	49.17	50.34	49.49	50.38	48.43	49.36	50.59	49.69
FSU	3.45	3.81	3.19	3.45	3.85	3.58	3.47	3.68	3.74	3.93	3.71	3.83	3.68	3.77	4.01	3.82
Europe	0.69	0.76	0.70	0.65	0.71	0.70	0.77	0.71	0.67	0.73	0.72	0.79	0.73	0.69	0.75	0.74
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.25	6.35	6.33	6.49	6.67	6.73	6.88	6.69
Other Asia	7.88	7.98	7.87	8.04	8.52	8.10	8.46	8.57	8.37	8.81	8.55	8.67	8.75	8.60	9.04	8.76
Latin America	4.82	4.49	4.67	4.83	4.89	4.72	4.68	4.90	4.98	5.00	4.89	4.81	5.00	5.10	5.08	5.00
Middle East	5.36	5.54	5.32	5.68	5.69	5.56	5.81	5.78	5.98	5.94	5.88	6.10	6.07	6.23	6.17	6.14
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.81	2.84	2.73	2.86	2.81	2.91	2.94	2.82	2.94	2.90
Total Non-OECD	29.87	30.57	29.72	31.06	32.31	30.92	32.24	32.95	32.72	33.62	32.89	33.60	33.83	33.92	34.86	34.06
World	77.93	80.28	77.25	79.32	82.08	79.74	82.43	81.20	81.89	83.96	82.37	83.98	82.26	83.28	85.46	83.75
<i>of which:</i>																
<i>US</i>	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.58	20.63	20.46	20.51	20.39	20.77	20.86	20.63
<i>Euro4</i>	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.23	8.45	8.57	8.44	8.55	8.31	8.47	8.51	8.46
<i>Japan</i>	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.20	5.68	5.47	5.98	4.86	5.01	5.59	5.36
<i>Korea</i>	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.99	2.29	2.15	2.29	2.01	1.99	2.30	2.15
<i>Mexico</i>	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.02	2.02	2.02	2.05	2.01	2.04	2.03	2.03
<i>Canada</i>	2.08	2.17	2.16	2.20	2.24	2.19	2.27	2.25	2.25	2.25	2.26	2.27	2.26	2.28	2.28	2.27
<i>Brazil</i>	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.13	2.20	2.20	2.15	2.12	2.15	2.23	2.22	2.18
<i>India</i>	2.32	2.38	2.30	2.26	2.44	2.35	2.53	2.51	2.33	2.52	2.47	2.57	2.55	2.39	2.59	2.53
Annual Change (% per annum)																
North America	0.4	2.6	0.7	2.1	2.4	1.9	2.0	2.9	1.7	1.6	2.1	0.7	0.5	0.9	1.1	0.8
Europe	-0.1	0.1	1.9	0.4	1.4	0.9	2.2	1.4	1.7	1.6	1.7	0.4	0.8	0.7	0.2	0.5
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	2.8	-0.9	-1.2	-0.5	-0.9	-2.0	-0.5	-1.0
Total OECD	0.1	2.5	1.9	0.9	1.1	1.6	0.9	1.5	1.9	1.1	1.4	0.4	0.4	0.4	0.5	0.4
FSU	-5.5	9.3	2.6	2.3	0.2	3.5	-8.9	15.4	8.4	1.9	3.6	10.5	0.1	0.6	2.2	3.2
Europe	1.4	1.8	1.6	1.6	1.7	1.7	1.8	1.9	2.4	2.8	2.2	2.5	2.6	2.9	3.1	2.8
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	8.6	8.1	14.7	4.1	2.8	7.6	8.3	5.7
Other Asia	3.5	3.0	-0.5	2.9	5.6	2.8	6.1	8.9	4.1	3.4	5.6	2.4	2.1	2.7	2.6	2.4
Latin America	-0.9	-4.6	-3.2	-1.2	0.7	-2.0	4.2	4.7	3.1	2.4	3.6	2.7	2.2	2.3	1.5	2.2
Middle East	3.3	4.4	1.6	4.1	4.7	3.7	4.9	8.5	5.2	4.5	5.7	4.9	5.1	4.3	3.7	4.5
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.4	2.7	2.8	2.6	2.4	3.7	3.6	3.1	2.8	3.3
Total Non-OECD	2.0	4.1	0.6	4.4	4.8	3.5	5.5	10.9	5.3	4.1	6.4	4.2	2.7	3.7	3.7	3.6
World	0.8	3.1	1.4	2.2	2.5	2.3	2.7	5.1	3.2	2.3	3.3	1.9	1.3	1.7	1.8	1.7
Annual Change (mb/d)																
North America	0.10	0.63	0.18	0.50	0.57	0.47	0.50	0.70	0.43	0.40	0.51	0.18	0.14	0.24	0.27	0.21
Europe	-0.01	0.02	0.28	0.06	0.21	0.15	0.34	0.21	0.26	0.25	0.27	0.06	0.12	0.12	0.03	0.08
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.22	-0.08	-0.10	-0.04	-0.07	-0.17	-0.05	-0.08
Total OECD	0.06	1.23	0.88	0.41	0.53	0.76	0.47	0.71	0.91	0.57	0.67	0.20	0.18	0.18	0.25	0.20
FSU	-0.20	0.33	0.08	0.08	0.01	0.12	-0.34	0.49	0.29	0.07	0.13	0.36	0.00	0.02	0.09	0.12
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.50	0.48	0.81	0.26	0.18	0.48	0.53	0.36
Other Asia	0.27	0.23	-0.04	0.23	0.45	0.22	0.49	0.70	0.33	0.29	0.45	0.20	0.18	0.23	0.23	0.21
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.19	0.22	0.15	0.12	0.17	0.13	0.11	0.11	0.08	0.11
Middle East	0.17	0.23	0.08	0.23	0.26	0.20	0.27	0.45	0.30	0.25	0.32	0.29	0.29	0.26	0.22	0.26
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.04	0.07	0.08	0.07	0.07	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.57	1.22	0.19	1.30	1.47	1.05	1.67	3.24	1.66	1.31	1.97	1.36	0.88	1.20	1.24	1.17
World	0.63	2.45	1.07	1.71	2.00	1.80	2.14	3.95	2.57	1.88	2.63	1.56	1.06	1.39	1.50	1.38
Changes from Last Month's Report																
North America	-	-	-	0.04	-	0.01	-	-	0.05	0.11	0.04	-	-	0.02	0.10	0.03
Europe	0.07	0.06	0.07	0.08	0.08	0.07	0.07	0.07	0.06	0.01	0.05	0.07	0.08	0.08	0.02	0.06
Pacific	-	-	-	-	-	-	-	-	-0.04	-0.03	-0.02	-	-	-0.03	-	-0.01
Total OECD	0.07	0.06	0.07	0.11	0.08	0.08	0.07	0.07	0.08	0.09	0.08	0.07	0.08	0.06	0.11	0.08
FSU	-	-	-	-	-	-	-	0.01	0.02	0.05	0.02	-0.04	-0.04	-0.04	-0.02	-0.03
Europe	-0.07	-0.08	-0.07	-0.07	-0.08	-0.07	-0.08	-0.08	-0.07	-0.08	-0.08	-0.09	-0.08	-0.08	-0.08	-0.08
China	-	-	-	-	-	-	-	-	0.01	-	-	0.03	0.02	-0.01	-	0.01
Other Asia	-	-	-	0.01	-	-	-0.03	-	-0.05	-0.02	-0.03	-0.03	-0.01	-0.04	-0.02	-0.03
Latin America	-	-	-	-	0.01	-	0.03	0.04	-	0.02	0.02	0.03	0.04	-	0.01	0.02
Middle East	-	-	0.01	-0.01	-0.01	-	-0.01	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	-0.05	-0.04
Africa	-	-	-	-	-	-	0.01	0.01	0.01	-	0.01	0.01	0.01	0.01	-	0.01
Total Non-OECD	-0.07	-0.08	-0.06	-0.07	-0.08	-0.07	-0.09	-0.04	-0.11	-0.07	-0.08	-0.12	-0.10	-0.21	-0.16	-0.15
World	-	-0.02	0.01	0.04	-	0.01	-0.02	0.03	-0.04	0.02	-	-0.05	-0.02	-0.15	-0.05	-0.07

As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	2Q04	3Q04	4Q04	1Q05	2Q05	Sep 04	Oct 04	Nov 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.41	9.12				9.25	9.30	9.25
Iran	3.78			3.95	3.89				3.86	3.90	3.90
Iraq	1.33			1.96	1.92				2.25	2.22	1.79
UAE	2.29			2.24	2.44				2.45	2.43	2.42
Kuwait	1.87			2.02	2.07				2.10	2.15	2.14
Neutral Zone	0.61			0.58	0.61				0.60	0.60	0.61
Qatar	0.72			0.78	0.80				0.80	0.80	0.80
Nigeria	2.15			2.29	2.35				2.34	2.37	2.35
Libya	1.42			1.51	1.59				1.59	1.61	1.61
Algeria	1.11			1.17	1.24				1.25	1.27	1.29
Venezuela	2.01			2.20	2.21				2.21	2.25	2.25
Indonesia	1.01			0.96	0.96				0.98	0.97	0.97
Total Crude Oil	26.77			28.06	29.19				29.66	29.86	29.36
Total NGLs ¹	3.90	4.33	4.77	4.29	4.32	4.40	4.68	4.70	4.33	4.31	4.35
Total OPEC	30.67			32.34	33.51				33.99	34.17	33.70
NON-OPEC²											
OECD											
North America											
United States	7.82	7.70	7.82	7.73	7.52	7.69	7.87	7.83	7.32	7.48	7.75
Mexico	3.79	3.85	3.88	3.88	3.82	3.88	3.89	3.89	3.87	3.89	3.86
Canada	3.00	3.09	3.15	3.09	3.07	3.06	3.19	3.11	3.06	3.03	3.06
Europe	6.34	6.09	5.88	6.23	5.71	6.05	6.06	5.85	5.52	6.06	6.09
UK	2.28	2.07	1.93	2.12	1.89	2.05	2.03	1.91	1.76	2.01	2.06
Norway	3.26	3.17	3.12	3.24	2.97	3.15	3.18	3.11	2.88	3.19	3.18
Others	0.80	0.85	0.84	0.87	0.85	0.86	0.85	0.84	0.88	0.86	0.85
Pacific	0.65	0.58	0.54	0.57	0.59	0.57	0.57	0.54	0.56	0.51	0.59
Australia	0.61	0.53	0.50	0.53	0.54	0.52	0.52	0.49	0.51	0.47	0.54
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.59	21.30	21.28	21.50	20.69	21.25	21.58	21.22	20.32	20.97	21.35
NON-OECD											
Former USSR											
Russia	8.49	9.23	9.64	9.16	9.40	9.40	9.44	9.57	9.46	9.43	9.41
Others	1.82	1.95	2.13	1.94	1.95	2.02	2.04	2.06	1.94	2.02	2.02
Asia	6.03	6.24	6.26	6.17	6.27	6.33	6.34	6.28	6.31	6.28	6.35
China	3.41	3.49	3.53	3.47	3.54	3.54	3.57	3.54	3.57	3.47	3.57
Malaysia	0.83	0.86	0.82	0.83	0.86	0.87	0.85	0.83	0.85	0.89	0.86
India	0.79	0.80	0.78	0.80	0.79	0.81	0.79	0.78	0.81	0.81	0.80
Others	1.01	1.09	1.13	1.07	1.09	1.13	1.13	1.13	1.09	1.11	1.13
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.16	0.16	0.17	0.17	0.17
Latin America											
Brazil	4.00	4.04	4.35	4.00	4.06	4.13	4.27	4.34	4.07	4.11	4.11
Argentina	1.77	1.77	2.02	1.74	1.80	1.82	1.96	2.02	1.81	1.79	1.80
Colombia	0.83	0.78	0.76	0.78	0.78	0.78	0.77	0.76	0.79	0.79	0.78
Ecuador	0.55	0.54	0.52	0.55	0.55	0.54	0.53	0.53	0.54	0.54	0.54
Others	0.43	0.53	0.57	0.53	0.53	0.54	0.55	0.56	0.53	0.54	0.54
Others	0.42	0.42	0.48	0.41	0.41	0.45	0.46	0.47	0.41	0.44	0.45
Middle East³											
Oman	1.99	1.89	1.84	1.90	1.88	1.86	1.85	1.84	1.88	1.87	1.86
Syria	0.82	0.76	0.74	0.77	0.76	0.75	0.75	0.74	0.76	0.75	0.75
Syria	0.53	0.51	0.48	0.51	0.50	0.50	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Africa	3.05	3.41	3.71	3.34	3.46	3.55	3.62	3.68	3.54	3.54	3.53
Egypt	0.75	0.71	0.73	0.71	0.71	0.71	0.73	0.73	0.71	0.71	0.70
Angola	0.88	0.98	1.17	0.92	0.99	1.10	1.13	1.17	1.08	1.09	1.08
Gabon	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.18	1.48	1.58	1.48	1.53	1.52	1.52	1.55	1.53	1.51	1.52
Total Non-OECD	25.56	26.92	28.08	26.67	27.19	27.46	27.71	27.92	27.37	27.41	27.45
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.81	1.85	1.88	1.85	1.81	1.85	1.85
TOTAL NON-OPEC	48.95	50.06	51.22	49.99	49.70	50.56	51.17	51.00	49.51	50.24	50.66
TOTAL SUPPLY	79.62			82.33	83.21				83.50	84.40	84.36

¹ Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Orimulsion Orinoco extra-heavy oil, and non-oil inputs to Saudi Arabian MTBE

² Comprises crude oil, condensates, NGLs and oil from non-conventional sources

³ Includes small amounts of production from Israel, Jordan and Bahrain

⁴ Net volumetric gains and losses in refining (excludes net gain/loss in FSU, China and non-OECD Europe) and marine transportation losses

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jun2004	Jul2004	Aug2004	Sep2004	Oct2004*	Oct2001	Oct2002	Oct2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	419.8	407.2	393.3	391.4	411.2	422.9	403.6	407.6	-0.16	0.32	0.10	-0.31
Motor Gasoline	237.7	242.7	241.4	238.5	241.4	238.9	224.2	221.3	0.06	-0.02	0.06	0.01
Middle Distillate	182.2	192.7	206.5	200.8	191.7	203.9	194.8	206.3	0.04	-0.44	0.14	0.20
Residual Fuel Oil	45.0	42.5	45.6	42.4	45.5	48.4	42.8	43.3	0.05	0.02	-0.03	-0.03
Total Products ³	635.9	657.1	680.4	674.5	665.8	675.5	647.6	643.7	-0.11	-0.52	0.42	0.42
Total ⁴	1203.4	1217.7	1234.8	1231.2	1238.4	1262.9	1214.8	1211.4	-0.52	-0.22	0.64	0.30
Europe⁵												
Crude	341.3	328.3	328.6	332.4	338.4	318.4	331.3	334.7	0.01	0.26	-0.03	-0.10
Motor Gasoline	110.1	110.1	114.8	112.3	110.4	112.6	112.3	107.0	0.08	0.00	-0.06	0.02
Middle Distillate	232.9	241.8	256.2	246.6	241.2	218.3	254.1	232.2	-0.14	-0.24	0.18	0.15
Residual Fuel Oil	76.3	77.8	77.4	76.5	77.5	82.3	76.1	70.6	0.08	-0.04	0.01	0.00
Total Products ³	518.2	532.7	552.7	537.8	532.6	530.3	543.6	512.5	0.01	-0.33	0.14	0.21
Total ⁴	930.1	930.3	947.7	939.5	939.5	917.7	938.1	920.0	-0.01	-0.01	0.06	0.10
Pacific												
Crude	176.6	182.7	167.5	168.7	177.9	185.6	164.6	167.4	-0.04	-0.06	0.02	-0.09
Motor Gasoline	24.6	23.6	23.3	23.9	23.9	25.4	24.3	23.7	-0.02	0.03	-0.01	-0.01
Middle Distillate	60.3	62.6	69.6	74.8	75.0	94.1	80.3	79.8	-0.10	-0.21	0.06	0.16
Residual Fuel Oil	22.6	22.3	23.3	21.3	20.7	25.2	22.7	22.5	0.00	-0.03	0.03	-0.01
Total Products ³	172.3	174.4	182.3	186.2	187.9	218.9	197.6	198.0	-0.22	-0.28	0.15	0.15
Total ⁴	419.5	429.1	421.7	429.7	437.8	494.4	435.7	437.3	-0.26	-0.38	0.21	0.11
Total OECD												
Crude	937.7	918.2	889.4	892.5	927.5	926.9	899.4	909.6	-0.20	0.52	0.09	-0.49
Motor Gasoline	372.5	376.4	379.5	374.7	375.7	376.9	360.8	352.0	0.12	0.02	-0.01	0.02
Middle Distillate	475.3	497.1	532.3	522.2	507.9	516.3	529.2	518.4	-0.21	-0.89	0.37	0.51
Residual Fuel Oil	143.9	142.6	146.3	140.2	143.7	155.8	141.5	136.3	0.13	-0.05	0.01	-0.04
Total Products ³	1326.3	1364.2	1415.3	1398.5	1386.3	1424.8	1388.8	1354.2	-0.33	-1.13	0.72	0.79
Total ⁴	2553.0	2577.1	2604.2	2600.3	2615.6	2675.0	2588.5	2568.8	-0.79	-0.61	0.91	0.51

OECD GOVERNMENT-CONTROLLED STOCKS⁶ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jun2004	Jul2004	Aug2004	Sep2004	Oct2004*	Oct2001	Oct2002	Oct2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	662.4	665.7	669.0	670.3	669.9	545.2	589.6	630.9	0.15	0.15	0.11	0.09
Products ⁷	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe⁵												
Crude	157.9	157.9	158.0	157.8	157.8	143.2	155.2	152.8	0.07	0.01	0.00	0.00
Products	205.0	205.6	205.9	205.4	205.4	203.3	192.7	208.2	0.04	-0.03	-0.05	0.00
Pacific												
Crude	386.8	386.7	386.7	384.9	382.5	369.3	378.9	382.8	0.02	0.02	0.00	-0.02
Products	11.0	11.0	11.2	11.2	11.2	7.3	8.0	10.3	0.01	0.00	0.00	0.00
Total OECD												
Crude	1207.1	1210.3	1213.6	1213.0	1210.2	1057.7	1123.8	1166.5	0.24	0.18	0.11	0.06
Products	218.0	218.6	219.1	218.6	218.6	212.6	202.6	220.4	0.05	-0.03	-0.05	0.01
Total ⁴	1426.1	1429.9	1433.7	1432.6	1429.8	1271.2	1327.4	1387.9	0.29	0.15	0.06	0.07

* estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) and include stocks held by industry to meet IEA, EU and national emergency reserve commitments and are subject to government control in emergencies.

2 Closing stock levels.

3 Total products includes gasoline, middle distillates, fuel oil and other products.

4 Total includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

5 As of the December 10, 2004 OMR issue, Europe includes the Slovak Republic

6 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
(millions of barrels¹ and 'days')

	End September 2003		End December 2003		End March 2004		End June 2004		End September 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	176.6	79	174.6	77	170.4	76	175.3	78	194.6	-
Mexico	41.4	20	39.0	19	38.9	19	39.5	20	41.4	-
United States ⁴	1600.0	79	1570.3	77	1568.2	77	1630.9	79	1645.3	-
Total ⁵	1840.1	74	1806.1	72	1799.6	72	1867.8	74	1903.5	75
Pacific										
Australia	36.0	40	32.4	37	33.8	39	34.9	39	34.3	-
Japan	653.6	114	636.3	105	614.4	124	622.0	120	632.0	-
Korea	154.5	66	154.5	67	142.9	71	152.9	77	152.1	-
New Zealand	8.5	58	7.9	49	7.5	48	7.7	50	7.4	-
Total	852.6	93	831.1	89	798.5	100	817.4	99	825.7	91
Europe⁶										
Austria	20.3	69	20.9	80	23.2	80	23.0	78	21.0	-
Belgium	29.1	45	27.7	42	24.6	42	24.7	42	24.7	-
Czech Republic	13.4	69	16.4	95	15.6	76	15.9	70	16.9	-
Denmark	16.3	86	16.8	87	15.9	88	15.8	89	19.4	-
Finland	23.2	101	26.5	120	27.8	133	23.4	108	24.0	-
France	179.2	85	185.3	87	176.4	90	183.5	92	185.3	-
Germany	265.9	100	272.3	103	269.8	106	266.9	98	264.3	-
Greece	30.9	66	27.5	57	29.4	77	30.8	78	34.1	-
Hungary	18.3	122	16.8	143	19.5	153	20.1	153	18.7	-
Ireland	11.9	66	12.0	63	11.5	69	10.7	63	11.1	-
Italy	140.7	74	135.2	72	135.6	73	134.6	71	138.7	-
Luxembourg	0.8	16	1.0	17	0.8	13	1.0	16	0.9	-
Netherlands	111.1	116	100.1	105	108.2	111	102.3	108	111.0	-
Norway	23.1	93	27.2	99	28.5	116	30.0	118	23.3	-
Poland	26.9	53	28.7	64	29.7	62	30.1	59	31.1	-
Portugal	25.6	79	25.3	81	24.4	74	26.2	76	25.0	-
Slovak Republic	4.8	62	5.4	79	5.8	82	6.5	87	5.6	-
Spain	121.4	77	122.4	78	123.5	79	127.3	82	126.8	-
Sweden	34.1	99	35.9	101	31.8	89	31.1	91	31.3	-
Switzerland	37.4	141	36.1	138	35.4	149	37.5	144	37.8	-
Turkey	54.3	83	54.9	84	54.9	79	54.8	77	55.2	-
United Kingdom	98.0	56	101.9	55	100.7	54	97.6	53	97.4	-
Total	1286.9	82	1296.2	82	1292.9	84	1293.9	82	1303.7	81
Total OECD	3979.6	80	3933.4	78	3890.9	81	3979.1	81	4032.9	80
DAYS OF IEA Net Imports⁷	-	116	-	112	-	111	-	113	-	113

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.

2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.

3 End September 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

7 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions. Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled		Industry	Total	Government ¹ controlled	
		<i>Millions of Barrels</i>				<i>Days of Fwd. Demand²</i>	
3Q2001	3930	1266	2664	81	26	55	
4Q2001	3918	1285	2632	81	27	54	
1Q2002	3912	1304	2609	84	28	56	
2Q2002	3969	1316	2654	83	27	55	
3Q2002	3899	1321	2579	79	27	52	
4Q2002	3824	1344	2480	77	27	50	
1Q2003	3789	1359	2430	80	29	51	
2Q2003	3913	1362	2550	81	28	53	
3Q2003	3980	1380	2599	80	28	52	
4Q2003	3933	1407	2526	78	28	50	
1Q2004	3891	1421	2470	81	29	51	
2Q2004	3979	1426	2553	81	29	52	
3Q2004	4033	1433	2600	80	28	52	

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

2 Days of forward demand calculated using actual demand except in 3Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04	Year Earlier	
											Sep 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.66	0.55	0.56	0.56	0.51	0.64	0.53	0.62	-0.09
Europe	0.92	0.92	1.00	0.95	0.96	1.05	1.04	1.12	0.93	1.07	0.89	0.19
Pacific	1.22	1.22	1.18	1.12	1.14	1.13	1.23	1.23	1.16	1.28	1.10	0.18
Saudi Medium												
North America	0.73	0.86	0.83	0.71	0.72	0.73	0.86	0.85	0.93	0.80	0.82	-0.03
Europe	0.15	0.11	0.11	0.07	0.08	0.07	0.11	0.07	0.11	0.16	0.09	0.07
Pacific	0.17	0.16	0.24	0.30	0.31	0.20	0.18	0.16	0.20	0.19	0.23	-0.04
Saudi Heavy												
North America	0.21	0.20	0.30	0.19	0.19	0.14	0.30	0.27	0.33	0.29	0.24	0.05
Europe	0.14	0.09	0.19	0.16	0.16	0.26	0.31	0.33	0.32	0.28	0.17	0.11
Pacific	0.15	0.12	0.16	0.15	0.13	0.13	0.16	0.18	0.13	0.18	0.13	0.04
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.82	0.75	0.74	0.68	0.48	0.86	0.72	0.43	0.29
Europe	0.15	0.08	0.09	0.15	0.22	0.27	0.21	0.24	0.20	0.19	0.03	0.16
Pacific	0.01	0.02	0.03	0.11	0.14	0.08	0.12	0.12	0.14	0.10	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	0.04	0.01	..	..	0.03	..	..
Europe	0.31	0.32	0.12	..	0.04	0.07	0.03	..	0.03	0.07	..	..
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.18	0.20	0.23	0.23	0.21	0.24	0.25	0.16	0.08
Pacific	0.13	0.12	0.17	0.17	0.18	0.13	0.16	0.18	0.13	0.17	0.18	-0.01
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.55	0.50	0.61	0.65	0.58	0.69	0.67	0.69	-0.01
Pacific	0.63	0.54	0.69	0.74	0.73	0.65	0.58	0.58	0.60	0.57	0.55	0.02
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.84	0.63	0.78	0.62	0.64	0.62	0.59	0.88	-0.30
Europe	0.07	0.08	0.02	0.01	..	0.02	0.02	0.03	0.01	0.01	..	..
Pacific	0.00	0.00	0.00	0.00	..	..	..	..	..	..	0.00	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.73	0.81	0.91	0.84	0.94	0.90	0.69	0.83	-0.14
Europe	0.07	0.05	0.06	0.09	0.05	0.07	0.06	0.09	0.06	0.04	0.06	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.37	1.31	1.43	1.34	1.30	1.38	1.33	1.56	-0.23
Europe	0.14	0.17	0.16	0.13	0.14	0.19	0.20	0.21	0.18	0.21	0.22	-0.02
Pacific	0.01	0.00	0.00	..	0.01	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	0.00	..	..	..	..	..	..	..	..
Pacific	0.01	0.01	0.00	..	0.01	..	..	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	..	0.01	0.14	0.12	0.26	0.06	0.02	0.22	-0.19
Europe	1.10	1.32	1.62	1.75	2.14	1.98	1.78	1.84	1.93	1.55	1.71	-0.16
Pacific	0.01	0.01	0.00	0.01	0.00	0.01	0.01	0.04	..	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.67	0.80	0.90	0.78	0.76	0.78	0.79	0.77	0.03
Europe	0.38	0.32	0.41	0.38	0.32	0.22	0.30	0.36	0.26	0.29	0.43	-0.14
Pacific	0.02	0.06	0.08	0.09	0.12	0.10	0.09	0.08	0.10	0.08	..	..
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.26	0.21	0.22	0.27	0.24	0.16	0.12	0.05
Europe	0.10	0.06	0.06	0.09	0.03	0.04	0.05	0.03	0.03	0.09	0.07	0.02
Pacific	0.00	0.01	0.01	..	0.02	..	..	..	..	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary and Poland.

IEA Pacific data includes Australia, New Zealand, Korea and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

⁴ 33 API and lighter (e.g., Bonny Light, Escravos, Qua Iboe and Oso Condensate).

Table 7
Regional OECD Imports from Non-OECD countries^{1,2,4}
(thousand barrels per day)

	2001	2002	2003	4Q2003	1Q2004	2Q2004	3Q2004	Jul-04	Aug-04	Sep-04	Year Earlier	
											Sep-03	% change
Crude Oil												
North America	8020	7584	8031	8013	8027	8557	8540	8689	8943	7968	8542	-7%
Europe	8691	8725	9087	9155	9394	9566	10360	10400	10215	10470	9276	11%
Pacific	6895	6422	6711	6683	7011	6170	6457	6565	6391	6414	6265	2%
Total OECD	23605	22731	23828	23851	24431	24293	25357	25653	25549	24852	24083	3%
LPG												
North America	28	39	27	33	29	10	25	4	39	31	16	47%
Europe	252	226	197	226	253	195	217	238	152	261	168	36%
Pacific	546	553	541	523	550	585	469	493	475	439	518	-18%
Total OECD	825	818	764	782	832	790	711	735	667	731	703	4%
Naphtha												
North America	59	42	68	64	53	49	96	52	116	122	58	52%
Europe	298	298	311	322	310	321	284	293	221	340	285	16%
Pacific	647	705	770	761	782	761	787	771	798	791	831	-5%
Total OECD	1004	1045	1150	1148	1145	1131	1167	1116	1135	1254	1174	6%
Gasoline³												
North America	673	680	697	569	673	896	849	978	789	776	693	11%
Europe	131	150	145	153	218	157	191	128	194	255	162	36%
Pacific	36	58	70	75	105	118	90	87	80	103	75	27%
Total OECD	840	889	911	797	996	1171	1130	1193	1063	1133	930	18%
Jet & Kerosene												
North America	139	97	98	67	45	102	92	69	147	59	124	-111%
Europe	247	217	210	226	173	236	306	345	262	312	284	9%
Pacific	73	97	102	132	92	60	52	62	33	63	65	-3%
Total OECD	459	411	410	425	310	397	450	475	442	434	474	-9%
Gasoil/Diesel												
North America	186	102	128	87	199	92	109	121	138	66	118	-80%
Europe	575	655	654	629	679	654	819	817	772	869	586	33%
Pacific	31	53	73	73	56	92	81	80	74	89	79	11%
Total OECD	791	810	855	789	934	838	1009	1018	985	1024	784	23%
Heavy Fuel Oil												
North America	314	237	325	323	364	317	347	335	355	351	270	23%
Europe	397	471	394	446	366	431	455	446	398	522	486	7%
Pacific	81	89	88	80	76	77	86	90	82	87	78	10%
Total OECD	793	797	807	850	806	824	888	870	835	961	834	13%
Other Products												
North America	703	689	701	618	869	701	948	932	980	931	763	18%
Europe	736	735	683	701	666	701	768	771	770	762	685	10%
Pacific	218	256	236	218	249	266	262	233	262	292	299	-2%
Total OECD	1657	1680	1619	1537	1783	1668	1978	1936	2013	1985	1747	12%
Total Products												
North America	2103	1887	2043	1762	2233	2165	2465	2491	2565	2335	2043	12%
Europe	2636	2751	2593	2704	2664	2695	3040	3037	2770	3322	2657	20%
Pacific	1631	1811	1879	1862	1910	1960	1828	1816	1804	1865	1946	-4%
Total OECD	6369	6449	6516	6327	6807	6819	7333	7343	7140	7522	6646	12%
Total Oil												
North America	10122	9471	10074	9775	10260	10722	11005	11180	11509	10303	10586	-3%
Europe	11326	11476	11680	11859	12057	12260	13400	13436	12985	13792	11933	13%
Pacific	8526	8233	8590	8545	8921	8130	8285	8380	8195	8279	8211	1%
Total OECD	29974	29179	30344	30178	31238	31112	32690	32996	32689	32374	30730	5%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.

2 Excludes intra-regional trade

3 Includes additives

4 As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

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